Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement or the Offering Memorandum referred to in this announcement, 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 announcement or the Offering Memorandum referred to in this announcement.

This announcement and the Offering Memorandum referred to herein have been published for information purposes only as required by the Listing Rules of The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the Offering Memorandum referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

The Offering Memorandum referred to in this announcement 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 announcement and the Offering Memorandum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

*This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold in the United States except pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the Company making the offer, its management and financial statements. The Company does not intend to make any public offering of securities in the United States.*

Notice to Hong Kong investors: *The Issuer and the Guarantor (as defined below) confirm that, the Notes (as defined below) are intended for purchase by professional investors only (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) and have been listed on the Hong Kong Stock Exchange on that basis. Accordingly, each the Issuer and the Guarantor confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

NOTICE OF PUBLICATION OF OFFERING MEMORANDUM ON THE STOCK EXCHANGE OF HONG KONG LIMITED

XINHU (BVI) 2018 HOLDING COMPANY LIMITED
(新湖(BVI)2018控股有限公司)
(incorporated with limited liability in British Virgin Islands)

US$250,000,000 11.0% Guaranteed Senior Notes due 2024
(STOCK CODE: 40868)
unconditionally and irrevocably guaranteed by

新湖中宝

XINHU ZHONGBAO CO., LTD.
(新湖中寶股份有限公司)
(Incorporated with limited liability in the People's Republic of China)
Issue Price: 100.0 per cent.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CNCB Capital **China CITIC Bank International** **Citigroup**

Joint Book Runners and Joint Lead Managers

China International Capital Corporation **Vision Capital International**

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

Please refer to the offering memorandum dated September 23, 2021 (the "**Offering Memorandum**") appended herein in relation to the US$250,000,000 11.0% guaranteed senior notes due 2024 (the "**Notes**") of Xinhu (BVI) 2018 Holding Company Limited (新湖(BVI)2018控股有限公司) (the "**Issuer**") unconditionally and irrevocably guaranteed by Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司) (the "**Guarantor**"). As disclosed in the Offering Memorandum, the Notes will be intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Hong Kong Stock Exchange on that basis.

The Offering Memorandum does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Memorandum.

The Offering Memorandum is published in English only. No Chinese version of the Offering Memorandum has been published.

Hong Kong, September 29, 2021.

As at the date of this announcement, the sole director of Xinhu (BVI) 2018 Holding Company Limited (新湖(BVI)2018控股有限公司) is Lin Junbo. The directors of Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司) are Lin Junbo, Zhao Weiqing, Huang Fang, Yu Difeng, Xue Anke, Cai Jiamei and Xu Xiaodong.

Appendix I — Final Offering Memorandum

IMPORTANT NOTICE

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

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

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

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

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

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

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

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

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

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of CNCB (Hong Kong) Capital Limited, China CITIC Bank International Limited and Citigroup Global Markets Limited as the joint global coordinators, joint bookrunners and joint lead managers, China International Capital Corporation Hong Kong Securities Limited and Vision Capital International Holdings Limited as the joint bookrunners and joint lead managers, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as trustee (the "Trustee"), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as principal paying agent, as registrar and as transfer agent (the "Agents"), or any person who controls any of them or any director, officer, employee, representative, adviser or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

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

Strictly Confidential

XINHU (BVI) 2018 HOLDING COMPANY LIMITED
(新湖(BVI)2018控股有限公司)

(incorporated with limited liability in the British Virgin Islands)

US$250,000,000 11.0% Guaranteed Senior Notes due 2024
unconditionally and irrevocably guaranteed by

新湖中宝

XINHU ZHONGBAO CO., LTD.
(新湖中寶股份有限公司)

(incorporated with limited liability in the PRC and listed on the Shanghai Stock Exchange under stock code 600208.SH)

The 11.0% Guaranteed Senior Notes due 2024 (the "Notes") will bear interest at a rate of 11.0% per year, which may be increased by the Issuer from September 28, 2023 thereafter. For a description of the issuer's option to increase interest rate on the Notes, see "Description of the Notes — Increased Interest; Repurchase of Notes at the Option of the Holders." Interest will be paid on the Notes semi-annually and in arrears on March 28 and September 28 of each year, commencing on March 28, 2022. Unless previously repurchased, cancelled or redeemed, the Notes will mature on September 28, 2024.

The Notes will be the unsubordinated senior obligations of Xinhu (BVI) 2018 Holding Company Limited (新湖(BVI) 2018控股有限公司) (the "Issuer") and will be irrevocably and unconditionally guaranteed (the "Parent Guarantee") by Xinhu Zhongbao Co., Ltd. (the "Parent Guarantor").

The Notes are senior obligations of the Issuer, and will rank *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of the Issuer. The Parent Guarantee are general obligations of the Parent Guarantor, and will rank *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of the Parent Guarantor. See "Risk Factors — Risks Relating to the Notes and the Parent Guarantee."

On September 28, 2023, the Issuer may redeem the Notes, in whole or in part, at a redemption price of 100% of the principal amount of the Notes, plus accrued and unpaid interest (if any). At any time prior to September 28, 2024, the Issuer may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus: (1) accrued and unpaid interest (if any) to (but not including) the redemption date; and (2) a premium as set forth in the indenture governing the Notes (the "Indenture"). At any time and from time to time prior to September 28, 2024, the Issuer may redeem up to 35% of the Notes, at a redemption price of 111.0% of their principal amount, plus accrued and unpaid interest (if any), in each case, using the net cash proceeds from sales of certain kinds of capital stock, subject to certain conditions as set forth in the Indenture.

Upon the occurrence of a Change of Control Triggering Event (as defined in the Indenture), the Issuer will be required to make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. If, on the date that is the 120th Jiaxing Business Day after the Original Issue Date, the SAFE Completion Event (as defined in the Indenture) shall not have occurred, the Issuer or the Parent Guarantor will be required to make an offer to repurchase all of the Notes at a price in cash equal to 100% of the principal amount of the Notes repurchased, plus accrued and unpaid interest on the principal amount of the Notes being repurchased to but excluding the date of repurchase.

The Issuer may, upon written notice to the trustee and all holders of the Notes, increase the interest on the Notes for the period from and including September 28, 2023 to, but excluding, September 28, 2024. Holders of the Notes have the right to require the Issuer to repurchase for cash all of their on September 28, 2023 at the repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, subject to certain conditions as set forth in the Indenture.

The Notes are expected to be rated "B-" by S&P Global Ratings ("S&P"). We have been assigned a corporate credit rating of "B" with a stable outlook by S&P, and "B-" with a stable outlook by Fitch Ratings Inc. ("Fitch"). The rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by S&P.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 19.

Issue Price: 100.0%

Application will be made to The Stock Exchange of Hong Kong Limited for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only. This Offering Memorandum is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Parent Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Parent Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

The Parent Guarantor indirectly holds equity interest in CNCB (Hong Kong) Capital Limited and China CITIC Bank International Limited, two of the joint global coordinators for the offering of the Notes, and conflict of interest may arise out of the aforementioned relationship.

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

The Notes will be represented by beneficial interests in a permanent global note (the "Global Note") in registered form, without interest coupons attached, which will be registered in the name of a nominee of, and shall be deposited on or about September 28, 2021 (the "Issue Date") with a common depositary for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, SA ("Clearstream").

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CNCB Capital | **China CITIC Bank International** | **Citigroup**

Joint Bookrunners and Joint Lead Managers

China International Capital Corporation | **Vision Capital International**

The date of this offering memorandum is September 23, 2021

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IMPORTANT NOTICE

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

This Offering Memorandum includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange for the purpose of giving information with regard to the Issuer, the Parent Guarantor and the Group. The Issuer and the Parent Guarantor accept full responsibility for the accuracy of the information contained in this Offering Memorandum 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.

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

This offering memorandum is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129 (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). This offering memorandum has been prepared on the basis that all offers of the Notes made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes.

MiFID II product governance/Professional investors and ECPs only target market — Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of sales to EEA retail investors — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor in the EEA means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of

MiFID II; or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK MiFIR product governance/Professional investors and ECPs only target market — Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 of the United Kingdom (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This offering memorandum has been prepared on the basis that any offer of the Notes in the UK will be made pursuant to an exemption under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation") from a requirement to publish a prospectus for offers of Notes. This offering Memorandum is not a prospectus for the purpose of the UK Prospectus Regulation. This offering memorandum has not been approved by an authorised person in the United Kingdom. This offering memorandum is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"); (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

This offering memorandum is strictly confidential. We are furnishing this offering memorandum solely for the purpose of enabling you to consider the purchase of the Notes. If you have any doubt about this offering memorandum, you should consult your bank manager, legal counsel, professional accountant or other professional advisor. Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee or the Agents or any affiliates, directors, officers, employees, representatives, agents or advisers of the Initial Purchasers, the Trustee or the Agents or any person who controls any of them in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us and our subsidiaries, the Notes or the Parent Guarantee other than as contained herein.

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

We, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to us referred to in this offering memorandum and the Notes and the Parent Guarantee that is material in the context of the issue and offering of the Notes; (ii) the statements of facts contained in this offering memorandum relating to us are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, the Notes and the Parent Guarantee, the omission of which would, in the context of the issue and offering of the Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept full responsibility for the accuracy of the information contained in this offering memorandum.

None of the Initial Purchasers nor the Trustee, the Agents or each person who controls any of them or each of their respective directors, officers, employees, representatives, agents, advisers and affiliates has independently verified any of the information contained in this offering memorandum and they make no representation or warranty, express or implied, as to the accuracy, sufficiency or completeness of such information, and you should not rely on anything contained in this offering memorandum as a promise or representation by the Initial Purchasers or the Trustee, the Agents or each person who controls any of them or any of their respective directors, officers, employees, representatives, agents, advisers and affiliates. To the fullest extent permitted by law, none of the Initial Purchasers or the Trustee, the Agents or each person who controls any of them or any of their respective directors, officers, employees, representatives, agents, advisers and affiliates accept any responsibility or liability in relation to information contained in this offering memorandum, statement made or purported to be made by any of the Initial Purchasers or the Trustee, the Agents or each person who controls any of them or on its behalf or any of their respective directors, officers, employees, representatives, agents, advisers and affiliates, or any other information provided by us in connection with the Issuer, the Notes, the Parent Guarantee or the issue and offering of the Notes. This offering memorandum is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Issuer, the Parent Guarantor, the Initial Purchasers or the Trustee, the Agents or each person who controls any of them or each of their respective directors, officers, employees, representatives, agents, advisers and affiliates that any recipient of this offering memorandum should purchase the Notes.

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

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

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

IN CONNECTION WITH THIS OFFERING, EACH OF THE INITIAL PURCHASERS APPOINTED AND ACTING AS STABILIZATION MANAGER (PROVIDED THAT CHINA CITIC BANK INTERNATIONAL LIMITED SHALL NOT BE ACTING AS THE STABILISATION MANAGER), OR ANY PERSON ACTING ON ITS BEHALF, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNTS OF THE INITIAL PURCHASERS, AND NOT FOR OR ON BEHALF OF THE COMPANY.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

In this offering memorandum, references to "we," "our," "us," "the Company," "the Parent Guarantor" and "the Group" are to Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司) itself, or to Xinhu Zhongbao Co., Ltd. together with its consolidated subsidiaries, as the context requires. References to "the Issuer" are to Xinhu (BVI) 2018 Holding Company Limited (新湖(BVI)2018控股有限公司).

References to "U.S. dollars," "US$" or "USD" are to United States dollars, the official currency of the United States of America (the "United States" or "U.S."). References to "Renminbi" or "RMB" are to Renminbi, the official currency of the People's Republic of China ("China" or the "PRC"). References to "Hong Kong dollars," "HKD" or "HK$" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong").

We prepare and publish our consolidated financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi to U.S. dollars and from Hong Kong dollars to U.S. dollars have been made at the rates of RMB6.5250 to US$1.00 and HK$7.7534 to US$1.00, respectively, the noon buying rate in effect on December 31, 2020 set forth in the H.10 statistical release of the Federal Reserve Board, and the translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.84164 to HK$1.00, the median rate released by the China Foreign Exchange Trading Center on December 31, 2020. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or Hong Kong dollar amounts, as the case may be, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see the section entitled "Exchange Rate Information."

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

References to "Yangtze River Delta Economic Circle" are to an economic region in China that encompasses Shanghai, Jiangsu, Zhejiang and Anhui Provinces. References to "Bohai Economic Rim" are to an economic region surrounding Beijing and Tianjin. It also includes areas in Hebei, Liaoning and Shandong Provinces which surround the Bohai Sea.

References to "Shanghai Inner Ring (上海內環)" are to the administrative area of Shanghai, references to "Shanghai Metropolitan Area (上海都市圈)" are to the regions within approximately one hour's drive from the border of Shanghai, and references to "Shanghai Urban Belt (上海城市帶)" are to the cities in Zhejiang and Jiangsu Provinces that do not otherwise fall within Shanghai Metropolitan Area.

In this offering memorandum, contracted sales represent the total purchase price or total gross floor area ("GFA") of formal purchase contracts we enter into with purchasers of our properties within a specified period, as disclosed to us by our project companies nationwide, aggregated at our headquarters, and recorded in our internal records. Such records have not been audited or reviewed by Pan-China Certified Public Accountants (天健會計師事務所) ("Pan-China"), our independent auditor, or any other independent auditor.

All site area and GFA data presented in this offering memorandum for any project represents the site area and GFA of the entire project, respectively, including such amount attributable to the other shareholders of our non-wholly owned project companies.

References to "sq.m." are to the measurement unit of square meters.

References to "NPC" are to the National People's Congress of the PRC.

In this offering memorandum, where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the actual totals of the individual items and actual numbers may differ from those contained herein due to such rounding.

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

FORWARD-LOOKING STATEMENTS

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

- our business and operating strategies;
- our capital expenditure and property development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our property development projects;
- the regulatory environment of our industry in general, including but not limited to the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- the performance and future developments of the property market in China or any region in China in which we may engage in property development and investment;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the regions where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property development projects;
- significant delay in obtaining various permits, proper legal titles or approvals for our properties;
- timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- changes in currency exchange rates; and
- other factors beyond our control.

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

ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

We and the Issuer expect to appoint Cogency Global Inc. as our and its agent to receive service of process with respect to any action brought against us or the Issuer in the United States federal courts located in the Borough of Manhattan, the City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us or the Issuer in the courts of the State of New York in the Borough of Manhattan, the City of New York under the securities laws of the State of New York.

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

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

(b) is final and for a liquidated sum;

(c) was not obtained in a fraudulent manner;

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

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

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

We have also been advised by our PRC legal advisors, King & Wood Mallesons, that there is uncertainty as to whether the PRC courts would (i) enforce judgments of U.S. courts obtained against us, our directors or officers, the Issuer or its directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, the Issuer or its directors or officers predicated upon the U.S. federal or state securities laws.

PRESENTATION OF FINANCIAL INFORMATION

This offering memorandum contains audited consolidated financial information, which has been prepared and presented in accordance with the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance of the PRC (the "MOF"), Application Guidance and Interpretations of ASBE and other relevant regulations issued thereafter and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 — General Provisions on Financial Reporting (revised 2010) issued by the China Securities Regulatory Commission (collectively, "PRC GAAP"), which differ in certain material respects from International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. See "Summary of Certain Material Differences between PRC GAAP and IFRS."

The consolidated financial information of the Company as of and for the years ended December 31, 2019 and 2020 has been derived from the Company's audited consolidated financial statements as of and for the year ended December 31, 2020 (the "2020 Annual Financial Statements") and the consolidated financial information of the Company as of and for the year ended December 31, 2018 has been derived from the Company's audited consolidated financial statements as of and for the year ended December 31, 2019 (the "2019 Annual Financial Statements," together with the 2020 Annual Financial Statements, the "Annual Financial Statements"). Our Annual Financial Statements were prepared and presented in accordance with PRC GAAP and have been audited by Pan-China, our independent auditor.

The 2020 Annual Financial Statements were subject to, and were prepared in accordance with CASBE 14 — Revenues (the "CASBE 14 — Revenues") and the Interpretation for China Accounting Standards for Business Enterprise No.13 published by MOF (collectively, the "2020 Revised Financial Instrument Standard"), which the Group has adopted since January 1, 2020. The 2020 Revised Financial Instrument Standard does not require, and we do not prepare, retrospective adjustment of comparative financial statements, but the difference arising from adoption of the 2020 Revised Financial Instrument Standard on the adopting date shall be retrospectively adjusted into retained earnings or other related items at the beginning of the reporting period. As a result, historical financial information concerning periods before January 1, 2020 may not be directly comparable to the financial information of corresponding period in 2020 prepared under the 2020 Revised Financial Instrument Standard. For details and impact on the 2020 Annual Financial Statements, see Note II (XXXIV) — "Significant changes in accounting policies" to the 2020 Annual Financial Statements included elsewhere in this offering memorandum.

Pursuant to the Notice on the Revision of the Format for Issuing General Enterprise Financial Statements for 2019 (Cai Kuai [2019] No. 6), which is newly promulgated on April 30, 2019, "notes receivable and accounts receivable" has been adjusted and divided into two separate line items, and "notes payable and accounts payable" has been adjusted and divided into two separate line items. For details and impact on our Group of such restatement, see Note III (XXXI) — "Significant changes in accounting policies and estimates" to the 2019 Annual Financial Statements included elsewhere in this offering memorandum.

The 2019 Annual Financial Statements were subject to, and were prepared in accordance with, the revised Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 — Hedging and Accounting Standard for

Business Enterprises No. 37 — Presentation of Financial Instruments, as published by the MOF (together, the "Revised Financial Instrument Standard"), which is applicable to us since January 1, 2019. The Revised Financial Instrument Standard does not require, and we do not prepare, retrospective adjustment of historical or comparative financial statements. As a result, historical financial information concerning periods before January 1, 2019 may not be directly comparable to the financial information of corresponding periods in 2019 or in 2020 prepared under the Revised Financial Instrument Standard.

On August 30, 2021, we published unaudited and unreviewed consolidated financial statements as of and for the six months ended June 30, 2021 (with the inclusion, for comparison purposes, of similar information for the six months ended June 30, 2020 and as of December 31, 2020, as applicable) (the "2021 Interim Financial Statements" or the "Unaudited and Unreviewed Financial Statements") on the Shanghai Stock Exchange's website in accordance with the listing requirements of the Shanghai Stock Exchange. The Unaudited and Unreviewed Financial Statements are not included in, and do not form part of this offering memorandum.

The Unaudited and Unreviewed Financial Statements have not been and will not be audited or reviewed by Pan-China as our independent auditor and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. None of the Initial Purchasers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, any person who controls any of them or their advisers makes any representation or warranty, express or implied, regarding the accuracy of the Unaudited and Unreviewed Financial Statements or their sufficiency for an assessment of our financial condition and results of operations. See "Risk Factors — Risks Relating to Our Business — Our Unaudited and Unreviewed Financial Statements have not been audited or reviewed by our auditor." The Unaudited and Unreviewed Financial Statements should not be taken as an indication of our expected financial condition or results of operations for the full financial year ending December 31, 2021. The Unaudited and Unreviewed Financial Statements were prepared and presented in accordance with PRC GAAP, which differs in certain material respects from IFRS. See "Summary of Certain Material Differences between PRC GAAP and IFRS."

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

We hereby incorporate by reference the Company's audited consolidated financial statements in the original Chinese version as of and for the years ended December 31, 2019 and 2020, together with the independent auditors' reports thereon issued by Pan-China (the "Company's Published Audited Reports"), as contained in the 2019 and 2020 annual reports of the Company which can be found on the website of Shanghai Stock Exchange (http://www.sse.com.cn/). The Company's Published Audited Reports are deemed part of this offering memorandum.

GLOSSARY OF TECHNICAL TERMS

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

"CAGR"	compound annual growth rate
"certificate of completion"	the acceptance and compliance form of construction completion (建設工程竣工驗收備案) subject to approvals from various local bureaus in China including the fire protection department, planning department, environmental protection department and air defense department with respect to the completion of property projects subsequent to their on-site examination and inspection
"commodity properties"	residential properties, commercial properties and other buildings that are developed by real estate developers for the purposes of sale or lease after their completion
"construction land planning permit"	the construction land planning permit (建設用地規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority
"construction works commencement permit"	the construction works commencement permit (建設工程施工許可證) issued by a local governmental construction committee or some other relevant government authority
"construction works planning permit"	the construction works planning permit (建設工程規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority
"land grant contract"	the state-owned land use right grant contract (國有土地使用權出讓合同) entered into with a land administration bureau or some other relevant government authority in respect of the grant of state-owned land use rights
"land use right certificate"	the state-owned land use right certificate (國有土地使用證) issued by a local land and resources bureau or some other relevant government authority
"LAT"	land appreciation tax
"pre-sale"	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations

"pre-sale permit".	the commodity property pre-sale permit (商品房預售許可證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority
"property ownership certificate".	the property ownership certificate (房地產權證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority

SUMMARY

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

Overview

We are one of the leading property developers in the Yangtze River Delta Economic Circle and are primarily engaged in the design, construction, marketing, sale and leasing of residential properties. We became listed on the Shanghai Stock Exchange in June 1999 (600208.SH), and have since been one of the largest A-share listed companies in Zhejiang Province as measured by market capitalization. We had a market capitalization of RMB26.2 billion based on the closing price of our A-share on December 31, 2020. As a constituent stock in the CSI Smallcap 500 Index (中證小盤500指數), we believe that we can exert substantial market influence and our "Xinhu" brand has earned a nationwide reputation for providing quality properties to our customers. As of December 31, 2020, we had 49 residential and commercial projects in various stages of development in the PRC, with a total site area of approximately 11.9 million sq.m. and a total planned GFA of approximately 24.3 million sq.m.

We are based in Hangzhou, Zhejiang Province and have historically focused on geographic markets surrounding Zhejiang Province, Jiangsu Province, Liaoning Province, Jiangxi Province, and Shanghai. We believe that we have a well-balanced project portfolio in these areas, with a strategic spread between first-tier and second-tier cities, and other selected cities that we believe have high-growth potential. Capturing the opportunities presented by the rapidly growing economy, we have strategically planned our property projects in and surrounding Shanghai. With the Shanghai Inner Ring (上海內環) as its core, our projects gradually radiate outwards to the Shanghai Metropolitan Area (上海都市圈) and Shanghai Urban Belt (上海城市帶), thereby creating a project portfolio that integrates our new projects with our existing ones in Shanghai. As of December 31, 2020, we held land reserves with a total GFA of approximately 30 million sq.m., most of which locate within these three key markets.

Our competitive position in the real estate market can be evidenced by the awards and recognition we received, which in turn reinforces our brand name. For instance, since 2016, we were awarded the "China Top 10 Listed Real Estate Company by Comprehensive Strength (滬深上市房地產公司綜合實力TOP10)" for six consecutive years by China Real Estate Top 10 Research Group, an organization constituted by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Real Estate Research Center, and China Index Academy. We have also been named the "Most Valuable listed Real Estate Company of the Year (年度最具價值地產上市公司)" in 2015 by National Business Daily.

Leveraging on our strengths in the property industry, we have taken significant initiatives to invest in the financial and technology companies since as early as 2007. Our investments encompass a wide range of businesses, ranging from banking, insurance, futures and securities institutions, to financial technology companies and other technology platforms. We believe our financial investments provide us with growth potential. As of the date of this offering memorandum, we have made sizable equity investments in various financial institutions, including China CITIC Bank Corporation Limited (中信銀行股份有限公司) (998.HK), China CITIC Bank International Limited (中信銀行(國際)有限公司), Bank of Wenzhou Co., Ltd. (溫州銀行股份有限公司), Xiangcai Co., Ltd. (湘財股份有限公司) (600095.SH), Xinhu Futures Co., Ltd. (新湖期貨股份有限公司), and Sunshine Insurance Group Corporation Limited (陽光保險集團股份有限公司). We also have investments in financial technology companies such as Wind Information Co., Ltd. (萬得信息技術股份有限公司), and are a strategic shareholder of a number of other technology companies with advanced technology and market share, such as Zhejiang Bangsun Technology Co., Ltd. (浙江邦盛科技有限公司), Hangzhou Honghua Digital Technology Co., Ltd. (杭州宏華數碼科技股份有限公司) (699789.SH), Amlogic (Shanghai) Co., Ltd. (晶晨半導體(上海)股份有限公司) (688099.SH) and Hangzhou Hyperchain Technology Co., Ltd. (杭州趣鏈科技有限公司). Furthermore, we will continue to focus our investment efforts on high technology companies to foster adoption of technology in the traditional finance industry and other relevant industries.

We believe our "dual-drivers (雙輪驅動)" business strategy is key to our success. Capturing historic opportunities in the internet era, we have developed a large-scale and quality land bank while building an extended investment portfolio. With our established sizeable finance investments, we benefit from a more stable income source and are able to effectively counter the volatility of our real estate business when compared with other traditional property developers.

Our unique business strategy has contributed to our operating results and business growth. From 2018 and 2020, our total operating revenue amounted to RMB17,227 million, RMB14,810 million and RMB13,792 million, respectively. As of December 31, 2018, 2019 and 2020, our total assets amounted to RMB139,871 million, RMB144,032 million and RMB135,685 million, respectively.

Competitive Strengths

We believe that the following strengths are key to our consistent growth and enable us to compete successfully:

- well defined "dual-drivers" strategy — Real Estate and Finance;
- sufficient land reserves at low cost;
- established competitive position in the property market;
- high quality finance and technology portfolio;
- systematic financial management and diversified sources of financing leading to declining financing costs;
- stable and experienced management team; and
- systematic governance structure and sound internal control.

Business Strategies

We intend to implement the following business strategies in order to achieve our goal of becoming an integrated and well-balanced enterprise engaged in two core segments of real estate and finance:

- geographically focus on Shanghai and the Yangtze Delta River Economic Circle;
- continue to accurately position our products and enhance our product quality;
- continue to grow our property business; and
- Expedite integration of financial resources.

Recent Developments

Asset-backed Securities

In July 2021, we obtained a no-objection letter from the Shanghai Stock Exchange for our proposed issuance of RMB1.05 billion supply chain finance asset-backed securities.

On August 30, 2021, the "Xiangcai — Suzhou Xinhu Square Asset-backed Securities" was established by Xiangcai Co., Ltd. (湘財股份有限公司) (600095.SH) under our engagement, under which asset-backed securities with the aggregate principal amount of RMB1.05 billion were issued, consisting of A level prioritized asset-backed securities with a total principal amount of RMB660 million, B level prioritized asset-backed securities with a total principal amount of RMB340 million and subordinated asset-backed securities with a total principal amount of RMB50 million. The securities will be backed by properties of Suzhou Xinhu Square.

The A level prioritized asset-backed securities bear an expected interest at the rate of 6.50% per annum and are rated "AAA" by Dagong Global Credit Ratings Co., Ltd. (大公國際資信評估有限公司) with a term of 18 years. The B level prioritized asset-backed securities bear an expected interest at the rate of 6.80% per annum and are rated "AA+" by Dagong Global Credit Ratings Co., Ltd. (大公國際資信評估有限公司) with a term of 18 years. The RMB50 million subordinated asset-backed securities are not rated and do not bear any expected interest. For every two years, we may opt to adjust the coupon rate and the bondholders may opt to sell the A level asset-backed securities, B level asset-backed securities and subordinated asset-backed securities back to us.

Bonds Repurchase

On March 14, 2021, we repurchased in total an aggregate principal amount of US$86,300,000 of the 2019 March Offshore Notes, which were subsequently cancelled. Immediately after our repurchase of the 2019 March Offshore Notes, the outstanding principal amount of the 2019 March Offshore Notes was US$188,700,000.

On June 12, 2021, we repurchased an aggregate principal amount of US$64,600,000 of the 2019 June Offshore Notes upon bondholders' request in accordance with the 2019 Indenture, representing approximately 40.38% of the aggregate principal amount of the 2019 June Offshore Notes outstanding. As of the date of this offering memorandum, the repurchased notes have been cancelled and the outstanding principal amount of the 2019 June Offshore Notes is US$95,400,000.

In September 2021, holders of an aggregate principal amount of RMB462,853,000 of the 2019 Xinhu Bonds 01 exercised the option to have their bonds repurchased by us. Accordingly, on September 6, 2021, we completed the repurchase of an aggregate principal amount of RMB462,853,000 of the 2019 Xinhu Bonds 01. The repurchased 2019 Xinhu Bonds 01 have not been cancelled as of the date of this offering memorandum.

On September 13, 2021, we repurchased in total an aggregate principal amount of US$50,000,000 of the 2018 Offshore Notes, which will be subsequently cancelled. As of the date of this offering memorandum, the repurchased notes have not been cancelled. The outstanding principal amount of the 2018 Offshore Notes, immediately after the cancellation, will be US$175,100,000.

PRC Corporate Bonds

Issuance of 2021 Xinhu Bonds 02

On August 10, 2021, we issued by way of public offering a principal amount of RMB1,000,000,000 of domestic corporate bonds for a term of four years (the "2021 Xinhu Bonds 02"). The 2021 Xinhu Bonds 02 bear interest at the rate of 7.75% per annum, payable 10 August each year. At the end of the second year, we may opt to adjust the coupon rate and the bondholders may opt to sell the 2021 Xinhu Bonds 02 back to us. The 2021 Xinhu Bonds 02 are secured by the shares of Xiangcai Co., Ltd. (湘財股份有限公司) (600095.SH) owned by Xinhu Holding Co., Ltd.

Issuance of 2021 Xinhu Bonds 01

On February 9, 2021, we issued by way of public offering a principal amount of RMB1,000,000,000 of domestic corporate bonds for a term of four years (the "2021 Xinhu Bonds 01"). The 2021 Xinhu Bonds 01 bear interest at the rate of 7.6% per annum, payable semi-annually in arrear on 9 February and 9 August each year. At the end of the second and half year, we may opt to adjust the coupon rate and the bondholders may opt to sell the 2021 Xinhu Bonds 01 back to us. The 2021 Xinhu Bonds 01 are secured by the shares of Xiangcai Co., Ltd. (湘財股份有限公司) (600095.SH) owned by Xinhu Holding Co., Ltd..

New Offshore Bank Facilities

Chiyu Term Loan Facility III

On April 21, 2021, Hong Kong Xinao Investment Limited, our wholly owned subsidiary, as the borrower, entered into a maximum amount of HKD150,000,000 term loan facility letter with Chiyu Banking Corporation Limited, as the lender (the "Chiyu Term Loan Facility III"). In connection with the Chiyu Term Loan Facility III, Hong Kong Xinhu Investment Co., Limited entered into a deed of charge over securities to mortgage its shares of China Zheshang Bank Co., Ltd. as security to secure its liabilities in favor of Chiyu Banking Corporation Limited on April 30, 2021. Hong Kong Xinao Investment Limited also entered into a deed of guarantee provided by the Guarantor with a guaranteed amount of HKD150,000,000. As of the date of this offering memorandum, we have utilized in an aggregate amount of HKD150,000,000 under the facility. We used the proceeds to replenish our working capital as well as refinance company's indebtedness. The interest on the facility drawn is charged at 2.92375% per annum.

Chiyu Term Loan Facility II

On February 20, 2021 Hong Kong Xinao Investment Limited, our wholly owned subsidiary, as the borrower, entered into a maximum amount of HKD200,000,000 term loan facility letter with Chiyu Banking Corporation Limited, as the lender (the "Chiyu Term Loan Facility II"). In connection with the Chiyu Term Loan Facility II, Hong Kong Xinhu Investment Co., Limited entered into a deed of charge over securities to mortgage its shares of China Greentown China Holdings Ltd. as security to secure its liabilities in favor of Chiyu Banking Corporation Limited on March 3, 2021. Hong Kong Xinao Investment Limited also entered into a deed of guarantee provided by the Guarantor with a guaranteed amount of HKD200,000,000. As of the date of this offering memorandum, we have utilized in an aggregate amount of HKD200,000,000 under the facility. We used the proceeds to replenish our working capital as well as refinance company's indebtedness. The interest on the facility drawn is charged at 2.97589% per annum.

2020 Profit Distribution

On April 28, 2021, our board of directors approved a profit distribution plan for the year ended December 31, 2020, under which a dividend of RMB0.56 (tax inclusive) per 10 shares will be paid to all shareholders. The aggregate dividend amount to be distributed under the plan is RMB472 million. This profit distribution plan was approved by our shareholders at the 2020 annual general meeting held on June 11, 2021. On August 4, 2021, we paid out the dividends to eligible shareholders.

Publication of 2021 Interim Financial Statements

On August 30, 2021, we released our 2021 Interim Financial Statements on the website of the Shanghai Stock Exchange.

We recorded a substantial increase in operating revenue and operating cost for the six months ended June 30, 2021 as compared to the same period in 2020, which is primarily due to an increase in the revenue and cost we realized for our property development for the six months ended June 30, 2021. We recorded an increase in operating profit for the six months ended June 30, 2021 as compared to the same period in 2020, which is primarily due to the profit we realized for our property development for the six months ended June 30, 2021. Our total assets as of June 30, 2021 decreased as compared to December 31, 2020, which is due to a decrease in cash and bank balance we hold, which results from our repayment to existing indebtedness. Our total indebtedness as of June 30, 2021 decreased as compared to December 31, 2020, and our cash and bank balances as of June 30, 2021 decreased as compared to December 31, 2020, which are primarily due to repayment of a portion of our indebtedness by using a portion of our cash and bank balances.

Our 2021 Interim Financial Statements were prepared in compliance with PRC GAAP. The financial information contained in our 2021 Interim Financial Statements has not been subject to an audit or review, and it does not form part of this offering memorandum and should not be relied upon by potential investors. Such financial information for the six months ended June 30, 2020 should not be taken as an indication of our expected financial condition or results of operations for the full financial year ending December 31, 2021. Our 2021 Interim Financial Statements were subject to, and were prepared in accordance with, the 2020 Revised Financial Instrument Standard. The 2020 Revised Financial Instrument Standard does not require, and we do not prepare, retrospective adjustment of comparative financial statements, but the difference arising from adoption of the 2020 Revised Financial Instrument Standard on the adopting date shall be retrospectively adjusted into retained earnings or other related items at the beginning of the reporting period. As a result, historical financial information concerning periods before January 1, 2020 may not be directly comparable to the financial information of corresponding period in 2021 (including the 2021 Interim Financial Statements) prepared under the 2020 Revised Financial Instrument Standard.

The 2021 Interim Financial Statements were also subject to, and were prepared in accordance with, the revised Accounting Standard for Business Enterprises No. 21 — Lease, as published by the MOF (the "Revised Lease Standard"), which is applicable to us since January 1, 2021. The Revised Financial Instrument Standard does not require, and we do not prepare, retrospective adjustment of historical or comparative financial statements. As a result, historical financial information concerning periods before January 1, 2021 may not be directly comparable to the financial information of corresponding periods in 2021 under the Revised Lease Standard.

Coronavirus Pandemic Outbreak

At the end of December 2019, a novel coronavirus COVID-19 causing pneumonia-like illness emerged and affected parts of China and some other countries. Several cities in China had been under a lockdown and imposed travel restrictions for a certain period in the first quarter of 2020 in compliance with mandatory measures implemented by the PRC government to contain the spread of COVID-19. The World Health Organization declared the COVID-19 to be a global epidemic on March 11, 2020. In compliance with mandatory quarantine measures implemented by the PRC government in an effort to contain the spread of COVID-19, for a certain period in the first quarter of 2020, we had also suspended a substantial portion of our operations, which has had and may continue to have an adverse effect on our business, financial condition, results of operations and prospects. Our operating revenue decreased by 6.9% from RMB14,810 million for the year ended December 31, 2019 to RMB13,792 million for the year ended December 31, 2020. As COVID-19 abated in the PRC, we gradually resumed most of our operations since March 2020. As of the date of this offering memorandum, we have resumed full operations at normal capacity. If the conditions in the PRC continue to improve, we anticipate that the impact of COVID-19 on our overall operating results and financial condition during the current fiscal year may be limited. Given the uncertainty of the outbreak, however, the spread of COVID-19 may be prolonged and worsened, and we may be forced to scale back or even suspend our operations in the affected areas. We will continue to closely monitor the progression of COVID-19, evaluate and proactively assess and respond to its impact on our financial position and operating results. For details, see "Risk Factors — Risks Relating to the PRC — The global economy is facing significant uncertainties and disruptions caused by COVID-19" and "Risk Factors — Risks Relating to the PRC — The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God and occurrence of epidemics."

THE OFFERING

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

Issuer	Xinhu (BVI) 2018 Holding Company Limited (新湖(BVI)2018控股有限公司).
Parent Guarantor	Xinhu Zhongbao Co., Ltd.
Notes Offered	US$250,000,000 aggregate principal amount of 11.0% Guaranteed Senior Notes due 2024 (the "Notes").
Offering Price	100.0% of the principal amount of the Notes.
Issue Date	September 28, 2021
Maturity Date	September 28, 2024.
Interest	The Notes will bear interest at a rate of 11.0% per annum, payable semi-annually in arrears on March 28 and September 28 of each year, commencing March 28, 2022. The interest of the Notes may be increased at the option of the Issuer from September 28, 2023 thereafter. See "Description of the Notes — Increased Interest; Repurchase of Notes at the Option of the Holders."
Ranking of the Notes	The Notes are: • general obligations of the Issuer; • senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes; • at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); • guaranteed by the Parent Guarantor on a senior basis, subject to the limitations described below under the caption "— The Parent Guarantee," and in "Risk Factors — Risks Relating to the Notes and the Parent Guarantee";

	• effectively subordinated to the secured obligations (if any) of the Issuer and the Parent Guarantor, to the extent of the value of the assets serving as security therefor; and • effectively subordinated to all existing and future obligations of the Parent Guarantor's Subsidiaries.
Parent Guarantee	The Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.
Ranking of the Parent Guarantee	The Parent Guarantee: • is a general obligation of the Parent Guarantor; • is effectively subordinated to all existing and future secured obligations of the Parent Guarantor, to the extent of the value of the assets serving as security therefor; • is senior in right of payment to all existing and future obligations of the Parent Guarantor expressly subordinated in right of payment to the Parent Guarantee; • ranks at least *pari passu* with all other unsecured and unsubordinated Indebtedness of the Parent Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and • is effectively subordinated to all existing and future obligations of the Parent Guarantor's Subsidiaries. See "Risk Factors — Risks Relating to the Notes and the Parent Guarantee."
Use of Proceeds	We intend to use the net proceeds from this offering to refinance our existing medium to long term offshore indebtedness which will become due within one year.
Optional Redemption of the Notes	On September 28, 2023, the Issuer may redeem all or any part of the Notes, at a redemption price of 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest, if any, on the Notes redeemed, to (but not including) the redemption date.

	At any time prior to September 28, 2024, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to September 28, 2024, the Issuer may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of the Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 111.0% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.
Withholding Taxes; Additional Amounts	All payments of principal of, and premium (if any) and interest on, the Notes or under the Parent Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any Taxing Jurisdiction, unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, holders of the Notes will receive additional amounts (subject to certain exceptions) as will result in receipt by the holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required. See "Description of the Notes — Additional Amounts."
Increased Interest; Repurchase of Notes at the Option of the Holders	The Issuer may, at its sole discretion and upon written notice to the trustee and the holders of the Notes, increase the interest on the Notes for the period from and including September 28, 2023 to, but excluding, September 28, 2024. If the Issuer so elects, the Notes will bear such increased interest as designated by the Issuer in lieu of the stated interest on the Notes from and including September 28, 2023 to, but excluding, September 28, 2024.

	Irrespective of whether the Issuer elects to increase the interest on the Notes as described in the preceding paragraph or not, holders of the Notes have the right, at their option, to require the Issuer to repurchase their Notes, in whole or in part, on September 28, 2023 at the repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, September 28, 2023. See "Description of the Notes — Increased Interest; Repurchase of Notes at the Option of the Holders."
Repurchase of Notes Upon a Change of Control Triggering Event	Not later than 30 days following a Change of Control Triggering Event, the Issuer or the Parent Guarantor will make an offer to purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date. See "Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event."
Repurchase of Notes Upon a SAFE Noncompliance Event	Upon completion of registration of the Parent Guarantee with the Jiaxing Branch (the "Jiaxing Branch") of the State Administration of Foreign Exchange ("SAFE"), the Parent Guarantor is required to deliver to the Trustee an Officers' Certificate, attaching a copy of the relevant certificate of registration from the Jiaxing Branch and certifying that such copy is a true and correct copy. If such registration is not completed by 120 Jiaxing business days after the closing date of the offering, the Issuer will be required to make an offer to repurchase all of the Notes at a price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest to but excluding the date of repurchase. See "Description of the Notes — Repurchase upon a SAFE Noncompliance Event."
Redemption for Taxation Reason	Subject to certain exceptions and as more fully described herein, the Issuer may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Issuer for redemption, if the Issuer or the Parent Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See "Description of the Notes — Redemption for Taxation Reasons."

Covenants	The Notes, the Indenture governing the Notes and the Parent Guarantee will limit the ability of the Parent Guarantor and its Restricted Subsidiaries to, among other things: • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • declare dividends on its capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness by Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes — Certain Covenants."
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Book-Entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "Description of the Notes — Book-Entry; Delivery and Form."
Delivery of the Notes	The Issuer expects to make delivery of the Notes, against payment in same-day funds on or about September 28, 2021, which the Issuer expects will be the third business day following the date of this offering memorandum referred to as "T+3." You should note that initial trading of the Notes may be affected by the T+3 settlement. See "Plan of Distribution."
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Paying and Transfer Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Registrar	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only.
Ratings	The Notes are expected to be rated "B-" by S&P. The rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by S&P. See "Ratings."
Governing Law	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York.

ISIN/Common Code	**ISIN**	**Common Code**
	XS2387698926	238769892

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present our summary consolidated financial and other data. The audited consolidated financial information of the Company as of and for the years ended December 31, 2019 and 2020 has been derived from the 2020 Annual Financial Statements and the audited consolidated financial information of the Company as of and for the year ended December 31, 2018 has been derived from the 2019 Annual Financial Statements. Our Annual Financial Statements were prepared and presented in accordance with PRC GAAP and have been audited by Pan-China, our independent auditor.

The 2020 Annual Financial Statements were subject to, and were prepared in accordance with CASBE 14 — Revenues (the "CASBE 14 — Revenues") and the Interpretation for China Accounting Standards for Business Enterprise No.13 published by MOF (collectively, the "2020 Revised Financial Instrument Standard"), which the Group has adopted since January 1, 2020. The 2020 Revised Financial Instrument Standard does not require, and we do not prepare, retrospective adjustment of comparative financial statements, but the difference arising from adoption of the 2020 Revised Financial Instrument Standard on the adopting date shall be retrospectively adjusted into retained earnings or other related items at the beginning of the reporting period. As a result, historical financial information concerning periods before January 1, 2020 may not be directly comparable to the financial information of corresponding period in 2020 prepared under the 2020 Revised Financial Instrument Standard. For details and impact on the 2020 Annual Financial Statements, see Note II XXXIV — "Significant changes in accounting policies" to the 2020 Annual Financial Statements included elsewhere in this offering memorandum.

Pursuant to the Notice on the Revision of the Format for Issuing General Enterprise Financial Statements for 2019 (Cai Kuai [2019] No. 6), which is newly promulgated on April 30, 2019, "notes receivable and accounts receivable" has been adjusted and divided into two separate line items, and "notes payable and accounts payable" has been adjusted and divided into two separate line items. For details and impact on our Group of such restatement, see Note III (XXXI) — "Significant changes in accounting policies and estimates" to the 2019 Annual Financial Statements included elsewhere in this offering memorandum.

The 2020 Annual Financial Statements and 2019 Annual Financial Statements were also subject to, and were prepared in accordance with, the Revised Financial Instrument Standard, which is applicable to us since January 1, 2019. The Revised Financial Instrument Standard does not require, and we do not prepare, retrospective adjustment of historical or comparative financial statements. As a result, historical financial information concerning periods before January 1, 2019 may not be directly comparable to the financial information of corresponding periods in 2019 or 2020 prepared under the Revised Financial Instrument Standard.

Certain data as of and for the year ended as of December 31, 2018 were adjusted due to accounting errors. See Note XIV(I) "Correction of prior period errors" to the 2019 Annual Financial Statements, which are included elsewhere in this offering memorandum. These data are marked in asterisk (*) and differ from how they appear in the 2018 Annual Financial Statements included elsewhere in this offering memorandum.

PRC GAAP differs in certain material respects from IFRS. See "Summary of Certain Material Differences between PRC GAAP and IFRS." You should read the summary consolidated financial statements set forth below in conjunction with our consolidated financial statements, together with the accompanying notes, included elsewhere in this offering memorandum.

Summary Consolidated Income Statements Data

	For the year ended December 31,			
	2018	2019	2020	2020
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)	(USD'000) (unaudited)
Total operating revenue	**17,227,115**	**14,810,295**	**13,792,021**	**2,113,720**
Including: Operating revenue	17,227,115	14,810,295	13,792,021	2,113,720
Total operating cost	**(15,819,642)**	**(14,899,955)**	**(15,144,804)**	**(2,321,043)**
Including: Operating cost	(12,311,671)	(9,553,992)	(9,710,219)	(1,488,156)
Taxes & surcharge	(1,074,600)	(1,877,984)	(1,826,627)	(279,943)
Selling expenses	(315,150)	(397,317)	(394,019)	(60,386)
Administrative expenses	(420,224)	(445,335)	(463,733)	(71,070)
Financial expenses	(1,697,997)	(2,625,326)	(2,750,207)	(421,488)
Including: interest expenses	(2,034,935)	(2,707,211)	(2,685,241)	(411,531)
interest income	318,600	175,828	160,655	24,622
Add:Other income	**11,407**	**3,837**	**8,628**	**1,322**
Investment income	**2,489,613**	**3,643,634**	**4,608,922**	**706,348**
Including: investment income from associates and joint ventures	2,310,578	2,850,832	2,794,763	428,316
Gains/(losses) on changes in fair value	**(87,312)**	**(689,714)**	**(177,666)**	**(27,228)**
Credit impairment loss[1]	**—**	**(2,614)**	**(192,904)**	**(29,564)**
Assets impairment loss[2]	(271,875)	(29,969)	(163,858)	(25,112)
Gains/(losses) on asset disposal	**(598)**	**185**	**2,847**	**436**
Operating profit	**3,548,708**	**2,835,699**	**2,733,186**	**418,879**
Add: Non-operating revenue	3,722	10,956	1,050,607	161,013
Less: Non-operating expenditures	(24,251)	(90,333)	(48,220)	(7,390)
Profit before taxation	**3,528,179**	**2,756,321**	**3,735,573**	**572,502**
Less: Income tax	(834,820)	(644,695)	(444,597)	(68,137)
Net profit	**2,693,359**	**2,111,627**	**3,290,976**	**504,364**
Net profit attributable to owners of parent company	2,506,202	2,153,413	3,164,500	484,981
Net profit (loss) attributable to non-controlling shareholders	187,158	(41,786)	126,476	19,383

Notes:

(1) In accordance with the Revised Financial Instrument Standard, for the years ended December 31, 2019 and 2020, credit impairment loss was added into the consolidated income statements as an independent income item.

(2) Prior to January 1, 2019, assets impairment loss was presented as an expense item under "total operating cost." From January 1, 2019, gains or losses arising from assets impairment are recorded as a standalone income item as "assets impairment loss" instead of being listed as a component of total operating cost. For comparative purposes, assets impairment losses for the years ended December 31, 2018 are presented as a standalone income item in this table.

Other Financial Data (unaudited)[1]

	For the year ended December 31,			
	2018	2019	2020	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(USD'000)
Adjusted EBITDA[2]	6,759,375	7,130,624	5,110,954	783,288
Adjusted EBITDA margin (%)[3]	39.7	48.6	37.3	37.3

Notes:

(1) Neither Adjusted EBITDA nor Adjusted EBITDA margin is a standard measure under PRC GAAP. EBITDA-based measures are widely used financial indicators of a company's ability to service and incur debt. EBITDA-based measures should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA-based measures do not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA-based measures we believe that investors should consider, among other things, the components of such EBITDA-based measures such as sales and operating expenses and the amount by which such EBITDA-based measures exceed capital expenditures and other charges. We have included EBITDA-based measures because we believe they are useful supplements to cash flow data as measures of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA-based measures presented herein may not be comparable to similarly titled measures presented by other companies and components of our EBITDA-based measures may not be comparable to similarly named components presented by other companies whose financial statements were prepared under generally accepted accounting principles other than PRC GAAP. Investors should not compare our EBITDA-based measures or components of our EBITDA-based measures to EBITDA-based measures or components of EBITDA-based measures presented by other companies. Investors should also note that EBITDA-based measures as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. See the section entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.

(2) Adjusted EBITDA represents net operating revenue less cost of sales, sales expenses and general and administrative expenses plus depreciation, amortization and capitalized interests.

(3) Adjusted EBITDA margin is calculated as Adjusted EBITDA margin divided by net operating revenue.

Summary Consolidated Statements of Financial Position Data

	As of December 31,			
	2018	2019	2020	2020
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)	(USD'000) (unaudited)
Current assets				
Cash and bank balances	16,017,985	14,690,206	16,921,092	2,593,271
Held-for-trading financial assets	—	1,944,634	2,465,166	377,803
Financial assets at fair value through profit or loss	1,482,810	—	—	—
Notes receivable	—*(1)	—	—	—
Accounts receivable	841,816*(1)	45,266	63,981	9,805
Advances paid	201,365	215,397	127,746	19,578
Other receivables	2,846,715	6,881,206	6,603,069	1,011,965
Including: dividends receivable	—	—	—	—
Inventories	70,354,015	68,717,245	52,131,890	7,989,562
Non-current assets due within one year	20,676	27,800	10,079	1,545
Other current assets	1,087,720	1,322,959	1,529,423	234,394
Total current assets	**92,853,101**	**93,844,713**	**79,852,445**	**12,237,923**
Non-current assets				
Available-for-sale financial assets	9,698,952	—	—	—
Long-term equity investments	32,203,576*(2)	34,929,044	38,870,560	5,957,174
Other equity instrument investment	—	2,343,018	3,714,934	569,338
Other non-current financial assets	—	8,400,632	7,218,803	1,106,330
Investment property	1,066,803	1,738,338	2,757,082	422,541
Fixed assets	514,530	518,804	498,800	76,445
Construction in progress	696	13,530	32,699	5,011
Intangible assets	147,369	144,726	135,459	20,760
Development expenditures	872,887	880,763	927,502	142,146
Long-term prepayments	22,904	24,805	33,854	5,188
Deferred tax assets	759,764	1,161,841	1,495,413	229,182
Other non-current assets	1,730,561	31,807	147,013	22,531
Total non-current assets	**47,018,043**	**50,187,308**	**55,832,118**	**8,556,646**
Total assets	**139,871,144**	**144,032,021**	**135,684,563**	**20,794,569**

Notes:

(1) "Notes receivable and accounts receivable" as of December 31, 2018 has been adjusted and divided into two separate line items, respectively, pursuant to the Notice on the Revision of the Format for Issuing General Enterprise Financial Statements for 2019 (Cai Kuai [2019] No. 6) promulgated on April 30, 2019.

(2) The number has been adjusted in the 2019 Annual Financial Statements.

	As of December 31,			
	2018	**2019**	**2020**	**2020**
	(RMB'000) **(audited)**	**(RMB'000)** **(audited)**	**(RMB'000)** **(audited)**	**(USD'000)** **(unaudited)**
Current liabilities				
Short-term borrowings	2,941,084	3,959,937	5,788,576	887,138
Notes payable	110,000(1)	432,364	642,416	98,455
Accounts payable	2,014,218*(1)	3,197,715	3,489,032	534,717
Advances received	16,356,983	18,560,218	15,545	2,382
Contract liabilities	—	—	20,620,623	3,160,249
Employee benefits payable	22,035	30,787	33,765	5,175
Taxes and rates payable	1,892,942	1,939,009	1,835,927	281,368
Other payables	2,594,545	4,752,809	11,184,652	1,714,123
Non-current liabilities due within one year	16,580,842	18,744,116	11,036,368	1,691,397
Other current liabilities	1,858,755	3,389,636	5,131,701	786,468
Total current liabilities	**44,371,406**	**55,006,590**	**59,778,604**	**9,161,472**
Non-current liabilities				
Long-term borrowings	40,448,811	35,543,834	26,455,693	4,054,512
Bonds payable	17,800,082	13,795,209	8,016,314	1,228,554
Provisions	60,000	60,000	63,720	9,766
Deferred income.	257,797	170,435	170,773	26,172
Deferred tax liabilities.	7,123	67	7,501	1,150
Other non-current liabilities	2,539,420	4,292,400	2,663,800	408,245
Total non-current liabilities	**61,113,232**	**53,861,946**	**37,377,801**	**5,728,399**
Total liabilities	**105,484,639**	**108,868,535**	**97,156,405**	**14,889,870**
Shareholders' equity				
Share capital	8,599,344	8,599,344	8,599,344	1,317,907
Capital reserve	7,961,906	7,593,062	8,983,480	1,376,778
Other comprehensive income	(245,476)	130,009	(13,798)	(2,115)
Surplus reserve	1,140,862*(2)	1,185,553	1,266,092	194,037
Undistributed profit	16,162,559*(2)	17,423,654	19,602,181	3,004,166
Total equity attributable to the parent company	33,619,195	34,434,911	37,837,201	5,798,805
Non-controlling interest	767,310	728,574	690,957	105,894
Total equity	**34,386,506**	**35,163,485**	**38,528,159**	**5,904,699**
Total liabilities & equity.	**139,871,144**	**144,032,021**	**135,684,563**	**20,794,569**

Notes:

(1) "Notes payable and accounts payable" as of December 31, 2018 has been adjusted and divided into two separate line items, respectively, pursuant to the Notice on the Revision of the Format for Issuing General Enterprise Financial Statements for 2019 (Cai Kuai [2019] No. 6) promulgated on April 30, 2019.

(2) The number has been adjusted in the 2019 Annual Financial Statements.

Summary Consolidated Cash Flow Statements Data

	For the year ended December 31,			
	2018	2019	2020	2020
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)	(USD'000) (unaudited)
Net cash flows from operating activities . . .	(3,778,676)	2,267,506	5,039,416	772,324
Net cash flows from investing activities . . .	(4,068,622)	2,022,347	(2,081,753)	(319,043)
Net cash flows from financing activities . . .	6,097,318	(6,337,549)	(4,488,358)	(687,871)
Effect of foreign exchange rate changes on cash & cash equivalents	112,843	(9,930)	(206,973)	(31,720)
Net increase in cash and cash equivalents. . .	(1,637,138)	(2,057,626)	(1,737,668)	(266,309)
Add: Opening balance of cash and cash equivalents..	16,220,406	14,583,268	12,525,642	1,919,639
Closing balance of cash and cash equivalents..	14,583,268	12,525,642	10,787,974	1,653,329

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

Risks Relating to Our Business

We depend heavily on the performance of the property market in the PRC, particularly in the regions surrounding Zhejiang Province, Jiangsu Province, Liaoning Province, Jiangxi Province, Shanghai, Tianjin and Shandong Province

We engage in property development in various cities in the PRC. Our success depends largely on the performance of the property market in the PRC, particularly in the regions surrounding Zhejiang Province, Jiangsu Province, Liaoning Province, Jiangxi Province, Shanghai, Tianjin and Shandong Province where our operations are concentrated. As of December 31, 2020, we had 49 residential and commercial projects with a total planned GFA of 24.3 million sq.m. in various stages of development, a total planned GFA of 23.2 million sq.m. of which were located in the regions surrounding Zhejiang Province, Jiangsu Province, Liaoning Province, Jiangxi Province, Shanghai, Tianjin and Shandong Province, which in aggregate accounted for approximately 95.6% of our total planned GFA.

Due to a substantial increase in property prices starting in early 2016, local governments and developers in certain cities (including Hangzhou and Shanghai where we have operations) have implemented measures to suppress the level of increase in property prices, such as tightening mortgage restrictions on second home purchases. We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future. If we fail to adapt our operations to such new policies, regulations and measures that may come into effect from time to time, our business prospects, results of operations and financial condition may be materially and adversely affected. You should read the various risk factors under the section entitled "— Risks Relating to Our Industry in the PRC" below for more risks and uncertainties relating to the extensive PRC regulations, especially relating to regulations in the PRC property sector.

In addition, the PRC property market will continue to be affected by economic, monetary, fiscal or other policies and measures of the PRC government. If economic conditions in the PRC deteriorate as a result of a prolonged global economic downturn or otherwise, if the PRC government implements macro-economic control or other measures that aim to curtail, or have the effect of curtailing, property demand or property development in China and particularly in the regions where we operate, or if we fail to respond to changes in market conditions and government policies, in particular those related to our target markets, in a timely manner, our business, prospects, financial condition and results of operations would be materially and adversely affected. Any decreased property demand is likely to affect the selling prices of our properties as well as the time it will take us to pre-sell or sell our properties. Lower selling prices, without a corresponding decrease in costs, will adversely affect our gross profit and reduce cash flows generated from the sale of our properties, which may increase our reliance on external financing and adversely impact our ability to finance the growth of our business. Delays in selling properties will increase our selling and distribution costs as well as reduce the cash flows generated from the sale of our properties, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

We maintain a high level of indebtedness to finance our capital intensive business, and we may incur substantial additional indebtedness in the future, which could adversely affect our financial condition

Our property development business is capital intensive in nature. It typically requires substantial capital outlays for land acquisition and property development and may take months or years before a cash inflow, if any, can be generated by the pre-sale or sale of a completed property development. For example, some of our on-going projects in Hangzhou, Quzhou, Suzhou and Shanghai have taken longer than 10 years to develop. We cannot assure you that we will be able to achieve a net operating cash inflow in the future, and any decline or under-performance of our pre-sales or sales, and any other matter adversely impacting our cash flow, could adversely affect our financial condition. We may also incur indebtedness when our Company's intercompany borrowings owed to our subsidiaries are transferred to third parties. In 2018, several of our borrowings owed to our subsidiary Zhejiang Yunsheng Investment Group Co., Ltd. (浙江允升投資集團有限公司) were acquired by asset management companies, which resulted in an increase of our non-current liabilities.

We have maintained a high level of indebtedness to finance our capital intensive business. As of December 31, 2020, our total indebtedness (comprising short-term borrowings, notes payable, non-current liabilities due within one year, long-term borrowings, bonds payables and other non-current liabilities) amounted to RMB53,997 million, 31.2% of which would become due within one year. As of December 31, 2020, we had credit facilities from banks in a total amount of approximately RMB64,482 million, of which approximately RMB15,027 million had not been utilized. We cannot assure you that we will be able to obtain extra bank loans or renew existing credit facilities in the future on terms acceptable to us or at all. Our ability to do so will depend on a number of factors, many of which are beyond our control. The PRC government has in the past implemented a number of policy initiatives in the financial sector to tighten lending requirements in general, such as by increasing the reserve requirement ratio for financial institutions in the PRC from time to time since 2010, and in particular for property developers, which, among other things:

- forbid PRC commercial banks from granting loans to property developers for funding the payments of land grant fees;
- forbid PRC commercial banks from granting loans to a property developer if the property developer's internal funds available are less than 20% of the total estimated capital required for social welfare housing and commodity properties, or less than 30% for other real estate construction projects;
- restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land or vacant commodity properties;
- prohibit the grant of new project loans to property developers that leave land parcels idle or are engaged in land speculation;

- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;

- prohibit property developers from financing property developments with loans obtained from banks in regions outside the location of the relevant property developments; and

- restrict PRC commercial banks from providing loans to property developers to develop luxury residential properties.

These short-term and long-term borrowings, current liabilities and any significant increase in our bank, capital market and other borrowings could have important consequences for you. For example, it could:

- limit our ability to satisfy our obligations under the Notes and other debt;

- increase our vulnerability to adverse general economic and industry conditions;

- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;

- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;

- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and

- increase the cost of additional financing.

Furthermore, our ability to satisfy our current and future debt obligations may be further affected by any margin call on our existing or future secured loans. For example, we have been demanded by lenders under certain secured loan to make early repayments or replenish the security, following a price decline of the shares serving as collateral thereunder. We cannot assure you that further declines in value of the collaterals under our current or future borrowings will not happen in the future. Any margin call resulting from such decline in value of the collaterals may further affect our ability to service our obligation under our current or future indebtedness. In particular, if the share price of our equity investments continues to drop, there can be no assurance that similar margin calls will not be triggered. In such circumstances, our ability to satisfy our outstanding and future debt obligations could be materially and adversely affected.

Significant indebtedness may restrict our business activities and increase our exposure to various operational risks

We rely primarily on bank loans and proceeds from bond issuances, apart from our self-retained funds, to satisfy our capital requirements and have had a significant amount of outstanding indebtedness and exceeded our cash and cash equivalents. As of December 31, 2020, our total indebtedness (comprising short-term borrowings, notes payable, non-current liabilities due within one year, long-term borrowings, bonds payables and other non-current liabilities) amounted to RMB53,997 million. Further, as of December 31, 2020, our indebtedness due within one year accounted for 31.2% of our total indebtedness, which may increase our pressure on repayment of debts within a short period. In addition, as of December 31, 2020, we had outstanding guarantee in a total amount of approximately RMB24,245 million (inclusive of the guarantees we provided in favor of our shareholders, *de facto* controller and related parties in the outstanding amount of approximately RMB3,360 million), representing 62.9% of our net assets as of December 31, 2020. Approximately 73.8% of the guarantees we provided were in favor of companies with an asset-to-debt ratio of over 70%. If any of the guaranteed companies defaults on its borrowings guaranteed by us, the lender may exercise its rights under the guarantee to demand repayment from us. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Substantial indebtedness could impact on our businesses in a number of ways, including:

- increasing our finance costs, thus affecting our overall profits;
- limiting our flexibility in planning for or responding to changes in our businesses and the industries in which we operate;
- limiting, together with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increasing our vulnerability to adverse general economic and industry conditions.

Certain financing contracts entered into by any member of us contain operational and financial restrictions on us or, as the case may be, the relevant subsidiary's business, that prohibit the borrower from incurring additional indebtedness unless it is able to satisfy certain financial ratios, restrict the borrower from creating security or granting guarantees or prohibit the borrower from changing its business and corporate structure and declaring or paying dividends, without the lender's prior approval. See the section headed "Description of Material Indebtedness and Other Obligations." The ability of us or the relevant subsidiary (as borrower) to meet such financial ratios may be affected by factors beyond its control. Such restrictions may also adversely affect our ability to respond to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in our business. Any of these factors could materially and adversely affect our ability to satisfy its obligations under the Notes and other indebtedness.

If we or our relevant subsidiaries are unable to comply with the restrictions (including restrictions on future investments) and covenants in the respective current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the holders of the debt could terminate their commitments to us or our subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing contracts entered into by us and our subsidiaries may contain cross-acceleration or cross-default provisions. As a result, a default by us or any of our subsidiaries under any of such agreements may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under other debt agreements. If any of these events occur, there can be no assurance that we or our subsidiaries will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of us or our subsidiaries would be sufficient to repay in full all of our respective debts as they become due, or that the we or our subsidiaries would be able to find alternative financing. Even if we or our subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favorable or acceptable to us or, as the case may be, our subsidiaries.

Further, as of December 31, 2020, our assets of a total book value of approximately RMB45,344 million were restricted in the sense that they were, inter alia, provided as security to secure our indebtedness. Of our restricted assets, an amount of RMB18,515 million was long-term equity investments, representing 47.6% of our long-term equity investments as of December 31, 2020; an amount of RMB1,661 million was other non-current financial assets, representing 23.0% of our other non-current financial assets as of December 31, 2020; an amount of RMB17,727 million was inventories, representing 34.0% of our inventories as of December 31, 2020; an amount of RMB665 million was investment properties, representing 24.1% of our investment properties as of December 31, 2020; an amount of RMB241 million was fixed assets, representing 48.3% of our fixed assets as of December 31, 2020. The total amount of our all restricted assets accounted for 33.4% of our total assets as of December 31, 2020. Third-party security rights may limit our use of the underlying collateral assets and adversely affect our operation efficiency. If we and our subsidiaries are unable to service and repay their debts under such borrowings on a timely basis, the assets provided as security for such borrowings may be subject to foreclosure, which may adversely affect our business, prospects and financial condition.

We may not have adequate cash flow to fund our operations or to service our financing obligations, and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations on a timely manner may be limited

As of December 31, 2020, our total current indebtedness was RMB16,822 million, which exceeded our closing cash and bank balance of RMB10,788 million as of the same date, of which an amount of RMB6,133 million was restricted as such cash was used as deposits for commercial notes, bank borrowings, mortgage guarantees and deposits for work commencement, structural deposits and others. Our cash and bank balance as of December 31, 2020 was 13.9% lower than that as of December 31, 2019. Though we recorded net cash inflow of RMB5,039 million used in operating activities for the year ended December 31, 2020, we had a net cash outflow of RMB2,082 million used in investing activities for the year ended December 31, 2020. We cannot assure you that we will be able to generate sufficient cash flow from operations to support the repayment of our current indebtedness including the Notes. If we are unable to make scheduled payments in connection with our current indebtedness and other fixed charges as they become due or upon the demand of the relevant lender before the due date of the relevant financing arrangement, we may need to renegotiate the terms and conditions of such payment obligations or to obtain additional equity or debt financing onshore or offshore. We cannot assure you that our renegotiation efforts would be successful or timely or that we would be able to refinance our current indebtedness on acceptable terms or at all. If we fail to secure additional financing, to refinance our existing indebtedness when they mature or to raise financing through other means, our cash flow position, results of operation and financial condition may be materially and adversely affected. See also "— Our corporate ratings may be changed by credit agencies as a result of changes or expected changes in our business operations, our financial conditions and macroeconomic conditions in the PRC, which may affect our ability to raise additional financing and may adversely affect the market price of the Notes."

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance and availability of access to offshore and onshore loans and capital markets, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control. We cannot assure you that the PRC government will not introduce laws and regulations, or that the condition in the capital markets will not worsen, as a result of which we may not be able to secure adequate financing or issue bonds to renew our existing credit facilities and indebtedness prior to their expiration or maturity on commercially reasonable terms, or at all. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all. If we or our subsidiaries incur additional debt, the risks that we face could intensify.

We cannot assure you that we will have adequate cash flow to service our financing obligations. Should we fail to service our current and future financing obligations, our business, prospects, financial condition and results of operations will be adversely affected.

Our corporate ratings may be changed by credit agencies as a result of changes or expected changes in our business operations, our financial conditions and macroeconomic conditions in the PRC, which may affect our ability to raise additional financing and may adversely affect the market price of the Notes

On April 9, 2021. Moody's withdrew our "B3" corporate family rating and the "Caa1" backed senior unsecured rating of the offshore notes issued by the Issuer and guaranteed by the Company. According to Moody's announcement, such withdrawal was due to Moody's own business reasons. We cannot assure you that any other credit agencies will not revise, lower or withdraw our corporate ratings or the rating of the Notes in the future if by their judgment the circumstances so justify. Any negative rating or outlook revision, downgrade or withdrawal of our credit ratings by one or both of these agencies could have an adverse effect on the market price of the Notes as well as adversely impact on our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could have a material adverse effect on our financial condition and results of operations. See also "— Risks relating to the PRC — The ratings assigned to the Notes may be lowered or withdrawn in the future."

We may not be able to complete our property development projects on time or at all

Property development projects require substantial capital expenditure prior to and during the construction period. One, two or several years may elapse before a project generates positive cash flows through pre-sales or sales. Some of our on-going projects in Hangzhou, Quzhou, Suzhou and Shanghai have taken longer than 10 years to develop. The timing and costs involved in completing a development project can be adversely affected by many factors, including:

- delays in obtaining licenses, permits or approvals as required by government authorities;
- changes in government policies or in applicable laws or regulations;
- delays in or increased costs of relocation of existing site occupants or demolition of existing structures;

- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- disputes with or delays caused by our contractors or sub-contractors;
- delays in the construction of supporting infrastructure or completing land clearing work by the local government authorities;
- adverse weather conditions and natural disasters, including earthquakes, ice storms and other natural hazards;
- changes in market conditions;
- unforeseen engineering, design, environmental, structural or geographic problems;
- discovery of historic and cultural relics in the construction site; and
- widespread diseases or epidemics, including the ongoing COVID-19 pandemic, Severe Acute Respiratory Syndrome, H5N1 flu, H1N1 flu and other diseases See "— Risks Relating to the PRC — The national and regional economics in China and our prospects may be adversely affected by natural disasters, acts of God and occurrence of epidemics."

Construction delays or the failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may result in increased costs, harm to our reputation, loss of or delay in recognizing revenues and lower returns. If a pre-sold property development is not completed on time, the purchasers of the pre-sold units may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may even be entitled to terminate the pre-sale agreements and claim damages. In addition, we may also be subject to significant damages to third parties we enter into joint investment or co-development arrangements with. In January 2020, a judgment was entered against our subsidiary Quzhou Xinhu Real Estate Development Co., Ltd. (衢州新湖房地產開發有限公司). We paid as ordered by the court damages in the amount of RMB21 million to our co-investor, the Development and Construction Management Committee of Quzhou Western District (衢州市西區開發建設管委會), for a delay in completing a residential and commercial development project in Quzhou in breach of our contractual obligations. We cannot assure you that we will not experience any significant delays in completion or delivery in the future or that we will not be subject to any liabilities for any such delays. There can be no assurance that we will not experience any delays or other issues with respect to any of our projects. Any of these may disrupt our project schedules and result in violation of the applicable land regulations or a breach of the relevant land grant contracts, which could materially and adversely affect our business, prospects, financial condition and results of operations and subject us to various penalties, including forfeiture of land.

Moreover, further regulatory changes, competition, inability to procure governmental approvals or required changes in project development practice could occur at any stage of the planning and development process. We may not be able to complete projects that we are currently developing or plan to develop and we may find ourselves liable to purchasers of the pre-sold units for losses suffered by them.

We are subject to risks relating to our investments

In contrast to many traditional property developers, we have made sizeable equity investments in various financial institutions since as early as 2007. For details, see "Business — Our investments." As of December 31, 2020, our financial assets at fair value through profit or loss was RMB2,465 million. Our holding in fund and asset management plan increased from RMB1,944 million as of December 31, 2019 to RMB2,465 million as of December 31, 2020. Our investment returns are affected by a number of factors including financial or economic conditions and market volatility, the deterioration of which may reduce the value of our trading and investment positions.

Our financial investments depend substantially on the markets in which we invest. Not only have we invested in Chinese companies, we have also acquired shares of a number of companies listed on the HKSE. The valuation of our investments in public equity interest is recorded on market to market basis in the Annual Financial Statements. If the share price of the invested companies fluctuates adversely, our financial position could be materially and adversely affected. Particularly, we held a 24.1% equity investment in 51 Credit Card Inc. (2051.HK) as of December 31, 2020. According to the announcements made by 51 Credit Card Inc. on the HKSE on October 21, 2019, October 22, 2019 and December 6, 2019, in response to regulatory investigations and series of regulatory documents and guidance issued by the PRC government, 51 Credit Card Inc. has decided to adopt prudent measures over its credit facilitation business, including a significant reduction of credit facilitation. Such measures have led to a significant decline in both of its revenue and profit for the year ended December 31, 2019 as compared to the corresponding period in 2018 and a continuous decline in both of its revenue and profit for the year ended December 31, 2020. Its share price dropped from HK$4.32 per share on June 30, 2019 to HK$2.710 per share on October 18, 2019 (the trading day before the first announcement) to HK$1.770 per share on October 22, 2019, to HK$1.630 per share on December 6, 2019 and to HK$0.47 per share on December 28, 2020. Though its share price increased to HK$1.47 per share as of June 28, 2021, there is no assurance that its price will return to the level as of June 30, 2019. If its share price does not further improve, our investment income and operating profit will be adversely affected. Emerging markets, including China's capital market is relatively at an early stage of development, and may not be as sophisticated as certain other markets are generally recognized to be. As it continues to develop and improve, market conditions may change suddenly and dramatically, and could materially and adversely affect our results of operation and financial condition. Furthermore, due to the recent volatility of the global financial market, the share prices of certain entities in which we have equity investment have dropped significantly, which may result in margin calls on our existing borrowings, debts or other financing instruments where such equity interest is pledged as collateral thereunder. See "— Risks Relating to the PRC — The global economy is facing significant uncertainties and disruptions caused by COVID-19." Our ability to comply with and satisfy the covenants and ratios and to fulfill our obligations under such borrowings, debts or other financing instruments may be materially and adversely affected by any further recessions in the global financial market. If this recurs in the future, our cash flow position, financial condition and prospects could be materially and adversely affected.

Also, as some of our investee companies operate in the financial service industry, they are subject to extensive regulations in China and other jurisdictions in which they operate. It is not within our control and there is no assurance that our investee companies would always be in full compliance with the regulatory regimes they are subject to. Any regulatory irregularities conducted by our investee companies may lead to government investigations and negative publicity, which may have a material adverse effect on their business, financial conditions, results of operations and prospects, and ultimately may also adversely affect our financial performance and damage our reputation.

In order to improve the efficiency of capital utilization, we have also invested in certain wealth management products issued by financial institutions with our idle funds since 2015. We generally prefer low-risk, short-term wealth management products with a term not exceeding 12 months, which we believe help maintain our liquidity while minimizing the credit risks. Investments in these instruments carry certain credit risks. If the agreed-upon return rates cannot be achieved or the principal of our investments cannot be repaid, we primarily rely on our rights under the related contracts to recover losses from the issuer, i.e. financial institutions that provide guarantee/security (if any). We do not have direct legal recourse to some ultimate borrowers, obligors or their guarantors in the underlying transactions. In addition, as certain investment products issued by financial institutions are not traded on the PRC interbank market or stock exchanges, and there has not yet been an active trading market for such investment products, their liquidity is limited. As a result, we generally hold such instruments to their respective maturity.

We are sometimes required to make prepayments for our investment, which would further increase our cash flow pressure. As of December 31, 2018, 2019 and 2020, we recorded RMB815.0 million, RMB25 million and RMB145 million, respectively, in other non-current assets as prepayment for investments. See "— We maintain a high level of indebtedness to finance our capital intensive business, and we may incur substantial additional indebtedness in the future, which could adversely affect our financial condition" and "— We may not have adequate cash flow to fund our operations or to service our financing obligations, and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations on a timely manner may be limited."

Delays or defaults in payment from counterparties to us may affect our working capital and cash flow

As of December 31, 2020, the book value of our accounts receivable was RMB123 million, of which our top five debtors of our accounts receivable accounted for approximately RMB82 million or 66.4% of our total accounts receivable. We may experience delay or failure to recover payment of our receivables. Although we make provisions for overdue receivables in our balance sheet as a reserve against the future recognition of certain receivable or as bad debt, any delay or default in receiving such payment may increase the our cash flow pressure which will in turn increase our business financial vulnerability and adversely affect our financial condition and results of operations. See also "— We maintain a high level of indebtedness to finance our capital intensive business, and we may incur substantial additional indebtedness in the future, which could adversely affect our financial condition" and "— We may not have adequate cash flow to fund our operations or to service our financing obligations, and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations on a timely manner may be limited."

Changes in interest rates may increase our financing costs

We have maintained a high level of indebtedness and incurred substantial interest obligations relating to our borrowings, and for the years ended December 31, 2018, 2019 and 2020, our interest expense on borrowings (including the capitalized portion) was RMB4,746 million, RMB5,449 million and RMB4,505 million, respectively. Since January 1, 2019, our existing floating-rate borrowings had been modified to be, and all our new floating rate borrowings are priced with reference to the loan prime rate published by the PBOC. If interest rates rise by 50 basis points, with all other variables being the same, our gross profit will be adversely affected. In response to economic conditions and the COVID-19 outbreak in mainland China, the PBOC lowered its benchmark 1-year loan prime rate by 10 basis points to 4.05% on February 20, 2020. As of the date of this offering memorandum, the most recent benchmark 1-year loan prime rate released by the PBOC is 3.85%. There is no assurance, however, that the PRC will not raise the benchmark lending rate going forward, which may increase our financing costs and have in turn a material adverse effect on our financial condition and results of operations.

We may not be able to obtain sites that are suitable for property developments at commercially suitable prices or at all

Land prices have increased significantly in the PRC in recent years and may continue to increase in the future. As of December 31, 2020, we held a total planned GFA of approximately 24.3 million sq.m. for property development, which we believe would be sufficient for our property development for the next five to eight years. To maintain and grow our business in the long run, however, we will be required to continue to replenish our land reserves with suitable sites at a reasonable cost.

Our ability to identify and acquire suitable sites is subject to a number of factors that are beyond our control. The PRC government controls land supply in the PRC and regulates land sales in the secondary market. As a result, PRC government policies relating to land supply affect our ability to acquire land use rights for sites we identify for development and the costs of any acquisition. The PRC central and local governments may regulate the means by which property developers, including us, obtain land sites for property developments. In addition, there may not be land available in attractive locations in our target cities for new development or re-development. We cannot assure you that we will be able to identify and acquire sufficient and appropriate sites at reasonable prices, or at all, in the future. Any inability to identify and acquire sufficient and appropriate sites for our land reserves would result in uncertainties in our future development schedules, which in turn would have a material adverse effect on our future growth prospects, profitability and profit margins.

The PRC government may impose fines on us or take back our land if we fail to develop a property according to the terms of the land grant contract

Under PRC laws and regulations, if we fail to develop a property according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, the specified use of the land and the time for commencement and completion of the development, the PRC government may issue a warning notice, impose a penalty and/or forfeit our land. Under current PRC laws and regulations, if we fail to pay any outstanding land grant premium on time, we may be subject to a daily late payment penalty of 0.1% of the outstanding balance of delay in payment. In addition, the PRC government may impose an idle land fee equal to 20.0% of the land premium or allocation fees if (i) we do not commence construction for more than one year after the date specified in the relevant land grant contract, (ii) total constructed GFA is less than one-third of the total planned GFA for the development, or (iii) the capital invested in the development is less than one-fourth of the total investment approved for the development and the development is suspended for more than one year without governmental approval. Furthermore, the PRC government has the authority to forfeit the land without compensation to us, if we do not commence construction for more than two years after the date specified in the land grant contract, unless the delay is caused by force majeure or governmental action.

As of December 31, 2020, none of our payment of land premium under active land grant contracts remained outstanding. We cannot assure you, however, that there will be no significant delays in the commencement of construction or the development of our properties in the future, or that our developments will not be subject to idle land penalties or be forfeited by the government as a result of such delays. The imposition of substantial idle land penalties could have a material and adverse effect on our business, results of operations and financial condition. If any of our land is forfeited by the government, we would not only lose the opportunity to develop the property, but we would also lose our prior investments in the development, including land premiums paid and costs incurred in connection with such land.

We may undertake mergers, acquisitions or investments to expand our business that may pose risks to our business or subject us to unknown or contingent liabilities, and we may not be able to successfully manage our growth

Our business primarily focuses on property development, and we also have operations in commercial trading and coastal land reclamation. Meanwhile, in accordance with our "dual-drivers (雙輪驅動)" business strategy, we have taken significant initiatives to invest in the financial and technology industries.

In order to achieve sustainable growth, we may continue to evaluate opportunities to acquire or invest in other businesses and expand the breadth of markets we can address. For instance, as part of our plan to zone in on regional markets in and surrounding Shanghai, we acquired three renovation and resettlement projects in 2015 and 2016, by taking over the project companies that held the land use right. Our expansion, in the form of mergers, acquisitions or investments, in general will require a significant amount of capital investment and involve various risks and uncertainties, including the risk of operating in a new environment or market, navigating different regulatory regimes or obtaining necessary governmental approvals, difficulties in gaining market recognition or competing effectively with established industry participants, difficulties of integrating new businesses and employees into our existing businesses, ability to develop the necessary technology or know-hows for the new businesses, and the diversion of resources and attention of our management. In addition, the targets of our mergers, acquisitions or investments may be subject to unknown or contingent liabilities for which we may have no recourse, or only limited recourse, against the then shareholders who owned the targets or the then directors of the targets immediately prior to our mergers, acquisitions or investments. We may not receive any indemnification for such unknown or contingent liabilities, and there is no guarantee that we will recover any amounts with respect to losses due to such unknown or contingent liabilities.

As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. Our failure to address these risks or manage our growth successfully may have a material adverse effect on our financial condition and results of operations.

We face risks relating to the calculation and enforcement of LAT by the PRC tax authorities, which may materially and adversely affect our profitability and cash flow position

All entities and individuals receiving net profits from the sale or transfer of state-owned land use rights, buildings and their attached facilities are required to pay LAT. LAT is calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. LAT is levied at progressive rates from 30% to 60%. Under current regulations, local tax authorities can formulate their own implementation rules relating to LAT settlement. Further, the State Administration of Taxation has issued regulations in the past to require pre-level of LAT and set minimum prepayment rates as applicable in different regions in China and may raise the prepayment rates from time to time. See "Regulation — Land Appreciation Tax."

We make provisions for LAT based on our estimates of the full amount of applicable LAT payable in accordance with the requirements set forth in relevant PRC and local tax laws and regulations. For the years ended December 31, 2018, 2019 and 2020, we made LAT provisions in the amount of RMB863 million, RMB1,750 million and RMB1,721 million, respectively.

There can be no assurance that our LAT prepayments and provisions will be sufficient to cover our LAT liabilities or that the relevant tax authorities will agree with the basis on which we and our subsidiaries and associates calculated our LAT liabilities. If the LAT provisions we have made are substantially lower than the actual LAT amounts assessed by the PRC government in the future, our business, prospects, financial condition and results of operations would be materially and adversely affected. There are uncertainties as to when the relevant tax authorities will enforce the LAT collection. These factors could materially and adversely affect our business, prospects, financial condition, results of operations and ability to execute our business plans.

We are subject to legal and business risks if our subsidiaries or associates fail to obtain or renew qualification certificates

Property developers in the PRC must obtain a valid qualification certificate in order to engage in property development in the PRC. Newly established developers must first apply for a temporary qualification certificate, which can be renewed for a maximum of two additional one-year periods, by which time a formal qualification certificate must have been issued. Property developers of different grades are subject to different limitations on scale of development in respect of their projects. In reviewing such applications, the relevant authority generally considers the property developer's registered capital, property development investments, history of property development, quality of property construction, expertise of the developer's management, and whether the property developer has any illegal or inappropriate operations. Each of our subsidiaries and associates that engages in property development in the PRC is responsible for submitting its own application. Formal qualification certificates are subject to renewal on a regular basis. Government regulations require developers to fulfill all statutory requirements before obtaining or renewing their qualification certificates.

Governmental authorities also have a great discretion in determining the granting of the relevant approvals, licences, permits and certificates. We cannot assure you that all of our subsidiaries and associates will be able to pass the annual verification of the qualification certificates or that all of our subsidiaries and associates will be able to obtain formal qualification certificates in a timely manner, or at all, as and when they expire. According to the Provisions on the Administration of the Qualifications of Real Estate Development Enterprises (房地產開發企業資質管理規定), if an enterprise engages in real estate development operation without obtaining a qualification certificate, the real estate development authority of the local government in charge at or above the county level has the power to order such enterprise to make corrections within a time limit and impose a fine of between RMB50,000 and RMB100,000. If no correction is made within the time limit, the real estate development authority has the power to request the administrative department for industry and commerce to revoke the business license of such enterprise. If any of our subsidiaries and associates is unable to obtain or renew its qualification certificate, such company may not be permitted to continue its operation, which could materially and adversely affect our business, prospects, financial condition and results of operations.

Increasing competition in the PRC, particularly in the regions surrounding Zhejiang Province, Jiangsu Province, Liaoning Province, Jiangxi Province, Shanghai, Tianjin and Shandong Province, may materially and adversely affect our business, prospects, financial condition and results of operations

The property market in the PRC is increasingly competitive. We focus on and compete in developing residential and commercial properties in our target cities including but not limited to Zhejiang Province, Jiangsu Province, Liaoning Province, Jiangxi Province, Shanghai, Tianjin and Shandong Province. Our existing and potential competitors include major domestic state-owned and private developers in the PRC, as well as developers from Hong Kong and elsewhere in the world. A number of our competitors may have greater marketing, financial and technical resources, greater economies of scale, broader name recognition, and more established track records and relationships in certain markets. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers. For example, although privately held land use rights are not prohibited from being traded in the secondary market, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights has increased competition for available land as well as increased land acquisition costs. The intense competition among property developers may result in increased land acquisition costs, increased construction costs and difficulty in obtaining high quality contractors and qualified employees, an oversupply of properties, a decrease in property prices or a slowdown in the rate at which new property developments will be approved or reviewed by the relevant government authorities, any of which may materially and adversely affect our business, prospects, financial condition and results of operations. In addition, the property market in the PRC is rapidly changing. If we cannot respond to changes in market conditions more swiftly or more effectively than our competitors, our business, prospects, financial condition and results of operations could be materially and adversely affected.

The total GFA of some of our developments may exceed the original permitted GFA and the excess GFA is subject to governmental approval and payment of additional land premium

The permitted total GFA for a particular development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, or if the completed development contains built-up areas that the authorities believe do not conform to the approved plans as set out in relevant construction works planning permit, we may not be able to obtain the signed certificate of completion (建設工程竣工驗收備案) for the property project, and as a consequence we would not be in a position to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. Moreover, excess GFA requires governmental approval and the payment of additional land premium. We may also be subject to liability to purchasers under our sales and purchase agreements.

We cannot assure you that constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA for that development, or that the authorities will not determine that all built-up areas conform to the plans approved as set out in the construction permit. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or to pay for any remedy that may be required in a timely manner, or at all. Any of these circumstances may materially and adversely affect our reputation, business, results of operations and financial condition.

We may be required to relocate existing residents and pay demolition and resettlement costs associated with our old urban area renovation projects and such costs may increase

We from time to time engage in renovating old urban areas. As of the date of this offering memorandum, we have three renovation projects under construction and two renovation projects held for future development. As a result, we may be required to undertake and pay for demolition of existing buildings and resettlement of existing residents with respect to some of our property developments in accordance with the relevant PRC laws and regulations. Existing owners or residents may disagree with the compensation arrangements or refuse to relocate. The administrative process to settle the amount of compensation, together with any appeals, or a refusal to relocate may significantly delay the timetable for the affected development. Although we consider the difficulties in resettlement compensation negotiations before we enter into such contractual arrangements, the protracted resettlement process may cause delays in the redevelopment projects, and adversely affect our plans to obtain the relevant land use rights or enter into the new markets. In addition, there is no assurance that we will be able to reach agreements for compensation and resettlement for such redevelopment projects on terms satisfactory to us or at all.

We may not be successful in expanding into new geographic markets or developing new property products

We primarily compete in developing residential and commercial properties in cities in Zhejiang Province, Jiangsu Province, Liaoning Province, Jiangxi Province, Shanghai, Tianjin and Shandong Province and our property products predominantly involve residential properties targeting first-time homebuyers and upgraders. Our recent land acquisitions have been concentrated in Shanghai and Yangtze Delta River Economic Circle. As part of our business strategy going forward, we may consider opportunities to expand our business into other geographic markets or to develop new property products in our current or future target markets. We may also selectively pursue strategic acquisitions of or investments in project companies in our existing or new geographic markets if suitable opportunities arise. Any expansion or new product development may require a significant amount of capital investment and involve a series of risks, such as those of operating in a new geographic market or developing a new property product in which we have relatively little experience. We may also have to address the challenges of integrating new businesses and the diversion of management's attention and other resources. Our failure to address these risks may have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks relating to the pre-sale of properties, and changes in laws and regulations with respect to the pre-sale of properties may materially and adversely affect our business, prospects, financial condition and results of operations

We depend on proceeds from the pre-sale of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence the pre-sale of the relevant properties and may use pre-sale proceeds only to finance the development of such properties. In August 2005, the PBOC issued a report entitled "2004 Real Estate Financing Report," in which it recommended discontinuing the practice of pre-selling uncompleted properties because it created significant market risks and transactional irregularities. This PBOC recommendation has not been adopted by any PRC government authorities. However, there can be no assurance that the PRC government will not adopt this recommendation or otherwise ban or impose additional restrictions on pre-sales in the future. Any ban or additional restrictions on pre-sales may require us to seek alternative sources of funding to finance our developments, and such alternative funding may not be available to us on attractive terms, or at all, in which case our cash flow and prospects, and our business, results of operations and financial condition could be materially and adversely affected.

Changes in such laws and regulations which restrict or ban the pre-sale of properties, such as imposing additional conditions for obtaining a pre-sale permit or further restrictions on the use of pre-sale proceeds, may materially and adversely affect our cash flows and require us to obtain alternative sources of funding for our business. Failure to obtain alternative funding at a low cost, or at all, may materially and adversely affect our business, prospects, financial condition and results of operations.

In addition, under current PRC laws and regulations and pursuant to pre-sale contracts entered into with purchasers of our properties, we are liable for potential breaches of the terms of the pre-sale contracts. For example, if we fail to complete a property that we have pre-sold by the agreed delivery time, we will typically be liable to the purchasers for their losses and such purchasers may seek compensation for late delivery pursuant to the pre-sale contracts or PRC laws and regulations. If our delay extends beyond a specified period, the purchasers may terminate the pre-sale contracts and claim for damages. Unless otherwise provided for in the pre-sale contract, a purchaser may also terminate a pre-sale contract with us if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in the pre-sale contract. We cannot assure you of the timely completion or delivery of our projects. If a substantial number of purchasers claim against us for breach of contract or terminate their pre-sale contracts with us, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee banks if our purchasers default on their mortgage payments

As we pre-sell properties before their actual completion of construction, in accordance with industry practice, banks require us to guarantee our customers' mortgage loans. Typically, we guarantee mortgage loans taken out by our customers up until our customers receive the property ownership certificates and certificates are delivered to the mortgagee banks. If a purchaser defaults on a mortgage loan, we may have to repurchase the underlying property by paying off the mortgage. Should we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage loans. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgagee banks, which may not be as extensive as credit checks conducted in other jurisdictions. As of December 31, 2018, 2019 and 2020, our outstanding guarantees over the mortgage loans of purchasers of our properties amounted to approximately RMB8,407 million, RMB8,595 million and RMB6,977 million, respectively.

There can be no assurance that the default rate will not increase significantly in the future. If a default occurs and our relevant guarantee is called upon, our business, prospects, financial condition and results of operations may be materially and adversely affected to the extent that there is a material depreciation in the value of the relevant properties or if we are unable to sell the properties due to unfavorable market conditions or other reasons.

Our success depends on the continuing services of our key management members

We depend on the services provided by our Board of Directors, senior management and other skilled and experienced key staff members. Most of them have more than 10 years of experience in the PRC property markets and have in-depth knowledge of various aspects of the property development business. As competition for experienced managerial talents and skilled personnel in the property development market is intense and the number of qualified candidates is limited, we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior management or key personnel in the future. The loss of the service of our senior management or other key personnel and failure to find qualified replacements could disrupt and adversely affect our operations. Any negative news regarding our senior management team may also adversely affect our reputation or business. Moreover, along with our growth and expansion into other regional markets and new industries in the PRC, we will need to hire and retain skilled managers to lead and manage our new operations. If we cannot attract and retain qualified personnel, our business, prospects, financial condition and results of operations will be materially and adversely affected.

We face competition for qualified employees which may make it difficult for us to retain and recruit sufficient employees for the expansion of our business

Our long-term success depends on our ability to attract and retain qualified employees. We require a large number of qualified employees for each stage of our property development business and other businesses we have entered into. We expect to recruit more qualified employees as we continue to strengthen our existing business or expand our business into new geographical regions and into other segments of the real estate industry or other industries. Our growth has created an increasing demand for qualified employees in each business line. While we have implemented certain measures aimed to promote effective recruitment and retention of our employees, we cannot assure you that these measures will be effective. If we are unable to recruit or retain a sufficient number of qualified employees for the continuation and expansion of our business, our business and prospects may be adversely affected.

Our business, prospects, financial condition and results of operations may be materially and adversely affected by increases in the cost of labor and construction materials

Construction and development costs account for a substantial portion of our cost of sales. Due to the rapid growth in the property development industry in recent years in the PRC, wages for construction workers and the prices of construction materials and building equipment have substantially increased. In general, we do not enter into fixed price contracts with our contractors. Instead, the contract fee payable to our contractors, including the labor and construction materials costs, are determined based on the final audited accounts at the completion of a project. As a result, in many cases, we cannot pass on the cost risk to our contractors and a substantial increase in the cost of labor and construction materials pushes up our construction and development costs and may take a toll on our business. Furthermore, when there is an increase in costs, there can be no assurance that our contractors will actually complete their contract performance in a timely manner, or that we can find replacement contractors. If we are unable to pass on any increase in the cost of labor and construction materials to our customers, our results of operations may be adversely affected by the cost volatility of labor and construction materials.

We rely on third-party contractors and any failure by these contractors to provide satisfactory services, our reputation, business, results of operation and financial condition may be materially and adversely affected

We engage third-party contractors to carry out various services relating to our property development projects. We generally select third-party contractors through a tender process and endeavour to engage companies with a strong reputation and track record, high performance reliability and with adequate financial resources. Our third-party contractors may fail to provide satisfactory services at the level of quality or within the timeframe required by us. In addition, completion of our property developments may be delayed, and we may incur additional costs, due to the financial or other difficulties of our contractors. If the performance of any third-party contractor is unsatisfactory, we may need to replace such contractor or take other remedial actions, which could increase the costs and adversely affect the development schedules of our projects and materially and adversely affect our reputation, credibility, financial condition and business operations. In addition, as we may enter into new geographical areas in the PRC, there may be a shortage of third-party contractors that meet our quality standards and other requirements in such locations and, as a result, we may not be able to engage a sufficient number of high-quality third-party contractors which may materially and adversely affect our business, financial condition, results of operations and prospects.

We may suffer certain losses not covered by insurance

Consistent with the customary practice in the PRC, we do not carry any third-party liability insurance to cover claims in respect of personal injury or property or environmental damage arising from accidents on our property or relating to our operations, nor do we carry any business interruption insurance or key-man life insurance on our key employees. There is no mandatory provision under the PRC laws, regulations and government rules promulgated by the PRC central government which requires such insurance coverage.

Although we expect our third-party construction companies to maintain appropriate insurance coverage, we cannot assure you that their insurance would cover or be sufficient to satisfy all claims, or that we would not be sued or held liable for damages notwithstanding their insurance coverage. Moreover, there are certain losses for which insurance is not available on commercially practicable terms in China, such as losses suffered due to earthquake, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages or liabilities in the course of our business, we may not have sufficient financial resources to cover such losses, damages or liabilities or to satisfy our related obligations. Any payment we make to cover any losses, damages or liabilities may have a material and adverse effect on our business, results of operations and financial condition.

The property development business is subject to claims under statutory quality warranties

Under Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》), all property development companies in the PRC must provide certain quality warranties for the properties they develop or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third-party contractors with respect to our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, prospects, financial condition and results of operations.

We may be liable to our customers for damages if we fail to assist our customers in obtaining individual property ownership certificates in a timely manner

We are typically required to obtain a general property ownership certificate for each of our completed projects. In addition, we generally have to assist our customers in obtaining their individual property ownership certificates within a specified time frame after the delivery of the property as set forth in the relevant sale and purchase agreements. In general, we elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for the application and approval processes. We are typically required to submit the proofs of certain government approvals, permits and certifications in connection with our property developments, including those evidencing our land use rights and various planning and construction permits, to the local bureau of land and resources and housing administration within 30 days after the receipt of the certificate of completion in respect of the relevant properties and apply for the general property ownership certificate in respect of such properties. We are then required to submit, within certain periods after delivery of the properties, the sale and purchase agreements relating to such properties, the identification documents of the purchasers and the proof of payment of deed tax, together with the general property ownership certificate, for the relevant local authority's review and for the issuance of individual property ownership certificates in respect of the properties delivered to our customers. Delays by the various administrative authorities in reviewing and approving the applications involved, among other factors, may affect the timely delivery of the general or individual property ownership certificates. We may be liable to our customers for late delivery of the individual property ownership certificates if we cannot prove that the delays are due to delays in the administrative approval processes or any other reasons beyond our control. We cannot assure you that we will be able to timely deliver all property ownership certificates in the future.

Our results of operations may vary significantly from period to period; they may not be indicative of the actual demand of our properties or the pre-sales or sales achieved during that period and may not be reliable for predicting our future performance

We derive a large portion of our revenue from the sale of residential properties that we have developed. For the years ended December 31, 2018, 2019 and 2020, operating revenue from our property development business was RMB13,268 million, RMB12,040 million, and RMB10,386 million, respectively, representing 77.0%, 81.3%, and 75.3%, respectively, of our total revenue for the relevant periods. In accordance with our accounting policy, we recognize revenue upon the completion and delivery of the properties to purchasers, which may take place up to three years after the commencement of pre-sale. As a result, our results of operations may vary significantly from period to period due to the construction timetables and timing of sales and delivery of our various development projects. Our operating results may not be indicative of the actual demand for our properties or the pre-sales or sales achieved during the relevant period. Our revenue and profit during any given period generally reflect property investment decisions made by purchasers at some time in the past. Our operating revenue from our property development business for the year ended December 31, 2020 was lower than that for the year ended December 31, 2019, our contract liabilities and advances received combined, which were RMB20,636 million as of December 31, 2020, increased by 11.2% as compared to that as of December 31, 2019 in the amount of RMB18,560 million on a year-on-year basis, which may indicate a fluctuation in demand for our property. Additionally, selling prices of properties vary and are largely determined by local market conditions. Although our properties are developed under the standardized operational model, the average selling price for properties in the same series may vary from city to city, which may affect our business, results of operations and financial condition. Seasonal variations may cause further fluctuations in our interim revenue and profits. For example, we have a number of projects in northern China where winter weather conditions can hinder the execution of our development projects and delay our timetable and revenue recognition. In light of the above, we believe that period-to-period comparisons of our results of operations may not be as meaningful as they would be for a business with mostly recurring revenue from period to period.

We may be involved in legal and other proceedings arising out of our operations or otherwise from time to time and may face significant liabilities as a result

We may be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, investment partners, construction workers, purchasers and tenants. These disputes may lead to legal or other proceedings and may take years to conclude and result in substantial costs and diversion of resources and management's attention, regardless of the outcome. As most of our projects comprise multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments.

From time to time, we are involved in legal proceedings or disputes in the ordinary course of our business. We cannot assure you that no other claims or disputes beyond our normal course of business or otherwise will be brought against us in the future. As a result of any such claims or disputes, our management's attention to our business and our reputation may be adversely affected and we may incur substantial liabilities and costs, which may materially and adversely affect our business, prospects, financial condition and results of operations.

Failure to comply with laws, regulations and rules applicable to us as a listed company on the Shanghai Stock Exchange could lead to regulatory investigations and result in disciplinary actions and penalty against us or our directors and senior management

We as a listed company on the Shanghai Stock Exchange and our directors and senior management are subject to various continuing obligations under applicable laws, rules and regulations, such as obligations relating to, among others, disclosure of price-sensitive information, connected transactions and notifiable transactions. Failure to comply with any of these applicable laws, rules and regulations may subject us and/or our directors and senior management to regulatory investigations or proceedings and, if such investigations lead to rulings or findings made against us and/or our directors and senior management, may lead to imposition of sanctions and/or disciplinary actions by the regulators against them. For example, on May 30, 2019, we received inquiries from the Shanghai Stock Exchange in relation to certain operating and financial matters disclosed in our annual report for the year ended December 31, 2018 (the "SSE Letter"). We submitted our response to the inquiries on June 10, 2019 in accordance with the requirements of the Shanghai Stock Exchange. As of the date of this offering memorandum, we have not received any follow-up inquiry or notice of action or penalty against us from the Shanghai Stock Exchange relating to the SSE Letter and our response. We cannot assure you that the Shanghai Stock Exchange will not have other inquiries or take other actions or impose any penalties (including, but not limited to, warranties, fines and administrative penalties) against us, our directors and/or our employees. We cannot assure you that investigations, sanctions and/or disciplinary actions resulting from the possible non-compliance(s) of the applicable laws, rules and regulations by us and/or our directors and senior management may not negatively affect our business and reputation, as well as investor confidence and the market price of the Notes.

Any failure to protect our brand, trademarks and other intellectual property rights could have a negative impact on our business

We believe our brand, trademarks and other intellectual property rights are integral to our success. As of December 31, 2020, we and our subsidiaries had registered more than 131 trademarks, including "新湖中宝" and "中宝" under different business operations including but not limited to our property development business, commercial trading business and Internet finance business. We believe that our "Xinhu" brand has gained significant recognition in the PRC and the success of our business depends in part on our continued ability to use and promote our brand and trademarks. While we have applied for registration of our trademarks in the PRC, these applications may be challenged and we cannot assure you that all of our applications for trademark registration will be approved by the relevant authorities. While we rely on the intellectual property laws in the PRC to protect our intellectual property, any unauthorized use of such intellectual property could adversely affect our business and reputation. Historically, China has not protected intellectual property rights to the same extent as certain other developed countries do, and infringement of intellectual property rights continues to pose a serious risk to doing business in China. Moreover, monitoring and preventing the unauthorized use of our intellectual property is difficult. The measures we take to protect our brand, trademarks and other intellectual property rights may not be adequate to prevent their unauthorized use by third parties. Any litigation or dispute in relation to our trade names or trademarks could result in substantial costs and the diversion of resources. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving and if we are unable to adequately protect our brand, trademarks and other intellectual property, we may lose these rights and our business, prospects, financial condition and results of operations may suffer materially.

Potential liability for environmental problems could result in substantial costs

We are subject to a variety of laws and regulations concerning the protection of the environment and public health. The applicable environmental laws and regulations to each project development site vary greatly according to the site's location, environmental condition and the present and former uses of the site and adjoining properties. Environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development in environmentally-sensitive regions or areas. In addition, under PRC law, each of our projects is required to undergo environmental assessments, and an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before the commencement of construction. Failure to obtain such approval prior to construction may result in suspension of construction and a penalty of not less than 1% but not more than 5% of the overall investment amount. We cannot assure you that we will satisfy the environmental assessments for each, or any, of our projects in the future. Although the environmental assessments conducted to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that these assessments did not reveal all environmental liabilities, or that there are material environmental liabilities of which we are unaware.

Disputes with other shareholders of our non-wholly owned subsidiaries or associates may materially and adversely affect our business, prospects, financial condition and results of operations

We engage in certain property development projects jointly with other companies through certain non-wholly owned subsidiaries or associates. We may continue to develop some or all of our future projects through such arrangements, which nonetheless may involve a number of risks. For example, other shareholders of our non-wholly owned subsidiaries or associates may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture agreements, shareholder agreements or other related agreements, including their obligation to make the required capital contributions; or
- have financial difficulties.

Any serious dispute with other shareholders, or the early termination of our jointly developed projects or early dissolution of our jointly owned companies, could materially and adversely affect our business, prospects, financial condition and results of operations. If a situation arises in which we cannot complete a project jointly developed with other companies due to one of the above reasons or otherwise, the rights and obligations of each party with respect to the uncompleted project will be determined by the relevant joint venture agreements, shareholder agreements or other related agreements. If such agreements are silent or inconclusive with regard to such rights and obligations, we may need to engage in litigation or alternative dispute resolution such as arbitration, which may have an adverse effect on our business, results of operations and financial condition. In the event that we encounter any of the foregoing problems, our business operations, profitability and prospects may be materially and adversely affected.

Mr. Huang Wei and Ms. Li Ping are able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions

As of the date of this offering memorandum, Mr. Huang Wei and Ms. Li Ping directly and indirectly owns 38.2% and 9.1% of our total issued share capital, respectively. Subject to compliance with applicable laws, by maintaining a controlling stake in our Company, Mr. Huang Wei and Ms. Li Ping are able to exercise substantial influence over our corporate policies, appoint our directors and officers and vote on corporate actions requiring shareholders' approval. In particular, the strategic goals and interests of Mr. Huang Wei and Ms. Li Ping may not be aligned with our strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. The interests of our controlling shareholders may differ from those of the holders of the Notes.

In addition, we engage in, and expect from time to time in the future to engage in, financial and commercial transactions with Mr. Huang Wei and Ms. Li Ping and companies controlled by them. These transactions may include purchases and sale of goods and services and financing arrangements. In 2018, we provided funds in the amount of RMB2,478 million in the form of a loan to our associate Xinhu Holding, which was controlled by Mr. Huang Wei through his holding in Xinhu Group, to replenish its working capital. Such related party transaction amounted to 7.7% of our net asset attributable to our parent company as of December 31, 2018. We may fail to comply with laws, regulations and rules applicable to us as a listed company on the Shanghai Stock Exchange because of insufficient disclosure on such related party transaction. As of December 31, 2020, we provided guarantees in favor of Xinhu Group for an aggregate outstanding amount of approximately RMB3,360 million and we did not provide any guarantee in favor of Xinhu Holding.

The full-fledged levy of value added tax on revenues from a comprehensive list of service sectors, may subject our revenues to an average higher tax rate

Pursuant to the "Notice on Adjustment of Transforming Business Tax to Appreciation Tax" (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) issued on March 23, 2016 and implemented on May 1, 2016 ("Circular 36") by the MOF and State Administration of Taxation (the "SAT"), effective from May 1, 2016, PRC tax authorities have started imposing value added tax ("VAT") on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, replacing the business tax that co-existed with VAT for over 20 years. Since the issuance of Circular 36, the PRC Ministry of Finance and State Administration of Taxation, MOF and SAT have subsequently issued a series of tax circulars in March and December 2016 to implement the collection of VAT on revenues from construction, real estate, financial services and lifestyle services. The VAT rates applicable to us may be generally higher than the business tax rate we were subject to prior to the implementation of Circular 36. For example, the VAT rate for sale of self-developed real estate projects will be increased from 5% (current business tax rate) to 11%. Unlike the business tax, however, the VAT will only be imposed on added value, which means the input tax incurred from our construction and real estate will be able to be offset in the output tax. However, details of concrete measures are still being formulated in accordance with Circular 36. We are still in the process of assessing the comprehensive impact of the new VAT regime on our tax burden, our revenues and results of operations, which remains uncertain.

We may not be able to generate adequate returns on our properties held for long-term investment purposes and we may not be able to continue to attract and retain quality tenants

Property investment is subject to varying degrees of risk. The investment returns available from investments in real estate depend, to a large extent, on the amount of capital appreciation generated, revenue earned from the rental of the relevant properties as well as the expenses incurred. Maximizing yields from properties held for investment also depends to a large extent on active ongoing management and maintenance of the properties. The ability to eventually dispose of investment properties will also depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuation in the case of certain types of commercial properties. The revenue derived from and the value of property investment may be adversely affected by a number of factors, including but not limited to changes in market rates for comparable rentals, the inability to collect rent due to bankruptcy or insolvency of tenants and the costs resulting from periodic maintenance, repair and re-letting.

Our investment properties compete for tenants with other properties based on, among other things, location, quality, maintenance, property management, rent levels and other lease terms. We cannot assure you that existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with ours would increase the competition for tenants and as a result we may have to reduce rent or incur additional costs to make our properties more attractive. If we are not able to retain our existing tenants or attract new tenants to replace those that leave or to lease our new properties, our occupancy rates may decline and our investment properties may become less attractive and competitive.

We may not be able to obtain the land use right certificates for certain land parcels and may be subject to stricter payment terms for land use rights with respect to land we acquire in the future as a result of any additional restrictive regulations promulgated by the PRC

We are required to obtain various permits, licenses, certificates and other approvals from the relevant PRC government authorities at various stages of project development. In particular, we are required to obtain state-owned land use rights certificates before commencing any property development. For renovation projects, we may register with the land administration authority for the land use rights certificates upon completion of the demolition and resettlement. Nonetheless, there can be no assurance that we will be able to obtain the land use right certificate with respect to our land parcels in a timely manner, or at all. If we fail to do so, we may not be able to acquire new replacement land on terms acceptable to us, or at all, which would have a material adverse effect on our business, prospects, financial condition and results of operations.

On September 28, 2007, the Ministry of Land and Resources (the "MLR") amended the Regulation on the Grant of State-Owned Land Use Rights by Way of Tender, Auction or Listing-for-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》), which became effective on November 1, 2007. This regulation provides, among other things, that property developers must pay the relevant land grant fees in full according to the provisions of the relevant land grant contract for all land parcels under the contract before they can receive the land registration and land use right certificates. As a result, effective November 1, 2007, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for land registration and a land use right certificate for the corresponding portion of land in order to commence development, which has been the past practice in many Chinese cities. On November 18, 2009, five government authorities, including the Ministry of Finance and the MLR, issued the Notice on Further Strengthening the Income and Expenditure Management Relating to Land Grants (《關於進一步加強土地出讓收支管理的通知》) to regulate the management of income and expenditure on land grants and curb excessive increases in land prices. In particular, the notice requires property developers to provide a down payment of no less than 50% of the land grant fee and, generally, to pay the remaining balance in instalments within one year. On March 8, 2010, the MLR issued the Notice on Further Increasing the Supply and Strengthening the Supervision of Land for Property Development Purposes (《國土資源部關於加強房地產用地供應和監管有關問題的通知》), which reiterates and reinforces certain measures on land supply and land use, such as requiring the execution of a land grant contract within 10 business days of completing the tender, auction or listing-for-sale process. All property developers who have defaulted on a land grant fee payment, leave land idle and unused, or are engaged in land speculation, or have otherwise defaulted on a land grant contract are prohibited from acquiring land for a certain period of time. As a result, property developers, including us, are required to maintain a higher level of working capital and may be restricted in their ability to expand their land reserves as planned. In addition, we cannot assure you that the PRC government will not adopt any additional regulations to impose stricter payment terms for land acquisition by property developers. If this occurs, our cash flow position, financial condition or business plans could be materially and adversely affected.

Our commercial trading business depends on a number of key customers for a significant portion of its business and the loss of any of such customers could materially and adversely affect our business and financial position

Our commercial trading business mainly adopts the traditional intermediary model, under which we act as the intermediary between the supplier and the customer. We normally procure the particular category and amount of products upon receiving an order from our downstream customers, and are therefore exposed to limited credit risks. Nonetheless, a significant portion of our trading revenue has been, and is expected to continue to be, derived from a limited number of customers, which mainly comprise of trading companies and petroleum and chemical plants that demand petrochemicals for their own use. We do not enter into long term contracts with most of these customers. As a result, in the event that any of these customers ceases to purchase products distributed by us and should we fail to replace such customers, our business and financial position may be materially and adversely affected.

We are subject to foreign exchange risk

While substantially all of our revenues are generated by us and our PRC operating subsidiaries and are denominated in Renminbi, we are subject to certain foreign exchange risk, which relates mainly to the currency of the foreign currency that are denominated in foreign currencies, including HKD and USD. As of December 31, 2020, balance of such monetary assets denominated in foreign currencies totaled approximately RMB3,452 million. If the Renminbi depreciates against such foreign currencies, our financial condition could be adversely affected because of our foreign currencies-denominated assets.

We may not be able to detect and prevent fraud, crime or other misconduct committed by our senior management, employees, representatives, agents, customers or other third parties

We may be exposed to fraud, crime or other misconduct committed, such as bribery, unauthorised transactions, breach of internal policies and procedures and violation of laws and regulations, by our senior management, employees, representatives, agents, customers or other third parties that could subject us to litigation, financial losses and sanctions imposed by governmental authorities, as well as affect our reputation. In addition, our employees, representatives, agents, customers or other third parties may be subject to investigations by the PRC authorities, whose occurrence or outcome may be difficult to predict. Potential misconduct could include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- engaging in improper activities such as receiving or offering bribes to counterparties;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities;
- engaging in unauthorised or excessive transactions to the detriment of our customers;
- intentionally committing criminal acts conducted by person(s) unrelated to us that result in casualties; or
- otherwise not complying with applicable laws or our internal policies and procedures.

While our internal control policies and mechanism are designed to detect and prevent our senior management and employees from conducting fraud, crime or other misconduct, such policies and procedures may not be effective or comprehensive, and thus it may be unable or insufficient to identify, prevent or address non-compliance and/or suspicious transactions in a timely manner or at all. Therefore, there can be no assurance that fraud or other misconduct will not occur in the future. The occurrence of such fraud or other misconduct may cause negative publicity, and could in turn have a material and adverse effect on our businesses, financial condition and results of operations.

Our independent auditor has received adverse regulatory decisions and warnings issued by relevant PRC authorities

Pan-China, our independent auditor as of the date of this offering memorandum, is a registered accounting firm in the PRC supervised by relevant PRC regulatory authorities and agencies including the China Securities Regulatory Commission (the "CSRC") and its local counterparts. In the past few years, the CSRC and its local counterparts have issued regulatory decisions, including regulatory talks, warning letters, or notices of investigation to Pan-China and the relevant certified public accountants for certain deficiencies in its audit work performed for companies other than the Parent Guarantor or any of our subsidiaries. There can be no assurance that there will not be prolonged or broadened investigations, or other investigations, nor how the results or impact of such investigations will turn out to be. Any negative news on Pan-China would in turn potentially have a material and adverse effect on our businesses, financial condition and results of operations. Prospective investors should consider these factors prior to making any investment decision.

Our Unaudited and Unreviewed Financial Statements have not been audited or reviewed by our auditor and are not contained in and do not form part of this offering memorandum

On August 30, 2021, we published (in Chinese language only) the 2021 Interim Financial Statements on the Shanghai Stock Exchange's website in accordance with the listing requirements of the Shanghai Stock Exchange. The Unaudited and Unreviewed Financial Statements have not been and will not be subject to any audit or review by Pan-China as our independent auditors. Further, the Unaudited and Unreviewed Financial Statements were subject to, and were prepared in accordance with the Revised Financial Instrument Standard. The Revised Financial Instrument Standard does not require, and we do not prepare, retrospective adjustment of historical or comparative financial statements. As a result, historical financial information concerning periods before January 1, 2019 may not be directly comparable to the financial information of corresponding periods in 2019 and 2020 prepared under the Revised Financial Instrument Standard. Potential investors are advised only to refer to the financial information contained in this offering memorandum and consider carefully all of the information including but not limited to the risks and uncertainties described above prior to making any investment decisions.

Other than the discussion under "Summary — Recent Developments" and "Business — Recent Developments," the 2021 Interim Financial Statements are not contained in this offering memorandum, do not and will not form part of this offering memorandum and should not be relied upon by any prospective investors. In addition, such financial information and/or the discussion under "Summary — Recent Developments" and "Business — Recent Developments" should not be taken as an indication of the expected financial condition, business, results of operations and results of the Group for the full year ending December 31, 2021.

Our historical consolidated financial information may not be indicative of, nor provide a good basis for comparative analysis of, our current or future results of operations

Our historical financial information included in this offering memorandum is not indicative of our future financial results and may not provide a good basis for comparative analysis of our future financial results. Our historical financial information is sometimes adjusted or restated to address subsequent changes in accounting standards, accounting policies and/or applicable laws and regulations with retrospective impact on our financial reporting or to reflect the comments provided by our independent auditors during the course of their audit or review in subsequent financial periods. For example, we have also adopted the Revised Financial Instrument Standard and the Accounting Standard for Business Enterprises No. 14 (Revenue) for accounting of revenue beginning January 1, 2020. These changes will affect the comparability of the financial information prepared under the revised standards to those contained in our historical financial statements prepared under different standards. Our historical financial information is not intended to represent or predict our results of operations of any future periods. Potential investors must exercise caution when using the Annual Financial Statements to evaluate our future financial condition and results of operations. Our future results of operations may change materially if our future growth does not follow the historical trends for various reasons, including factors beyond our control, such as changes in economic environment, PRC environmental rules and regulations and the competitive landscape.

Risks Relating to Our Industry in the PRC

Our business is subject to extensive governmental regulation and, in particular, we are susceptible to policy changes in the PRC property sector

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. For more information on the various restrictive measures taken by the PRC government, see "Regulation." Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, and impose additional taxes and levies on property sales. If we fail to comply with, or adapt to future changes to, such various and extensive policies, regulations and measures, our business, prospects, results of operations and financial condition may be materially and adversely affected.

The PRC government may adopt further measures to cool down the growth in the property sector

Starting from the second half of 2009, residential property prices in certain cities in China rose rapidly. In order to prevent the overheating of the property market and the possible formation of a speculative bubble, the PRC government introduced a series of regulatory measures in an effort to stabilize the real estate market and facilitate its sustainable development, including raising the down payment ratio and residential mortgage loan interest rate, limiting the number of houses that a single household may purchase, increasing the supply of affordable housing to low- and middle-income families, increasing the supply of public housing to targeted populations, restricting foreign investments in properties in China, abolishing the preferential business tax treatment on transfer of ordinary housing within five years and launching new property tax schemes in certain cities.

In previous years, the property market in the PRC witnessed signs of a slowdown, with some developers reported to have lowered prices in order to stimulate sales and some local governments reported to have relaxed property purchase restrictions previously imposed as cooling measures to help boost demand. More recently, however, due to a strong increase in prices starting early 2016, local governments and developers in certain cities have implemented measures to suppress the level of increase in property prices, such as tightening mortgage restrictions on second home purchases. For more information on the PRC government policies in the property sector, see "Regulation."

We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future. These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. If we fail to adapt our operations to such new policies, regulations and measures that may come into effect from time to time, our business, prospects, results of operations and financial condition may be materially and adversely affected.

Our business will be adversely affected if mortgage financing becomes more costly or otherwise less attractive or available

Many purchasers of our properties rely on mortgages to finance their purchases. Any increase in interest rates may significantly increase the cost of mortgage financing, thus affecting the purchasers' affordability of properties. In addition, the PRC government and commercial banks may increase the down-payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers.

In recent years, to curtail the overheating of the PRC property market, the PRC government implemented a series of measures to tighten mortgage financing. In January 2010, the General Office of the State Council issued the Circular on Promoting the Stable and Sound Development of the Real Estate Market (《關於促進房地產市場平穩健康發展的通知》), which, among other things, provides that homeowners with outstanding mortgage loans who intend to buy additional properties for themselves, their spouses or dependent children are required to pay a down payment of no less than 40% of the purchase price and the applicable interest rate shall be set strictly based upon the associated risk level. In April 2010, the State Council issued a notice to raise the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. In May 2010, the Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部), the PBOC and China Bank Regulatory Commission (the "CBRC", now renamed the China Bank and Insurance Regulatory Commission) jointly issued a circular to clarify that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by all residential properties owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that property purchasers of second or subsequent residential properties shall be subject to different credit terms when applying for mortgage loans. On August 25, 2019, the PBOC issued an announcement (PBOC Notice (2019) No.16) regarding the interest rate for new mortgage loans, which provides that after October 8, 2019, new mortgage loans shall be priced by adding basis points to the latest monthly Loan Prime Rate (the "LPR") of corresponding maturity; the interest rate of the loans for the first residential property shall not be lower than the LPR of corresponding maturity, and that of the second residential property not be lower than the LPR of corresponding maturity plus 60 basis points. Further, the interest rates of the loan for commercial properties shall not be lower than the LPRs of corresponding maturities plus 60 basis points, and no adjustments shall be made to the interest rates of housing provident fund for residential properties for the time being. See the section headed "Regulation

— Measures on Stabilizing Housing Price.” If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, results of operations and financial condition may be materially and adversely affected.

The property market in the PRC is still at a relatively early stage of development

The property development industry and ownership of private property in the PRC are still in a relatively early stage of development. Although demand for private residential property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. We cannot predict how much and when demand will develop, as many social, political, economic, legal and other factors may affect the development of the market. The level of uncertainty is increased by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of an effective liquid secondary market for residential property may discourage investors from acquiring new properties because resale is not only difficult, but can also be a long and costly process. The limited amount of property mortgage financing available to PRC individuals compounded by the lack of security of legal title and enforceability of property rights may further inhibit demand for residential developments.

Our financial investments are highly regulated in China and other jurisdictions in which we invest

As a participant in the financial industry, we are subject to extensive regulation in China and other jurisdictions in which we invest. The PRC financial industry is a highly regulated industry and our regulators, including with limitation, China Securities Regulatory Commission and the Shanghai Stock Exchange where our shares are listed, may limit our investment activities by imposing capital requirements, limiting the types of products and services we may choose and restricting the types of securities we may invest in. Our regulators may also require prior notice and application, before we can go through with a transaction. In addition, relevant rules and regulations could be changed from time to time based on the development of the financial markets. New rules and regulations, changes in the interpretation or enforcement of currently existing rules and regulations may directly impact our business strategies and prospects, and may adversely affect our ability to compete effectively with other financial institutions that are not affected in the same way.

Risks Relating to the PRC

The economic, political and social conditions in China, as well as government policies, could affect our business and prospects

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

- the amount and degree of government involvement;

- growth rate and degree of development;

- uniformity in the implementation and enforcement of laws;

- control over capital investment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For over three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition.

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

The PRC economy is also exposed to material changes in the global economic and political environment as well as the performance and policies of certain developed economies and governments. Any change in the trade policies of major trading partners of the PRC, including tightening regulatory restrictions, industry-specific quotas, tariffs, non-tariff barriers and taxes, may have an adverse effect on the PRC's economy. In 2018, the United States government imposed several rounds of tariffs on various categories of imports from China, and China responded with similarly sized tariffs on U.S. products in retaliation. The trade war escalated in May 2019, when the United States increased tariffs on US$200 billion worth of Chinese products from 10% to 25%, and China increased tariffs on US$60 billion worth of U.S. goods in response. Moreover, since May 2019, the United States has banned six Chinese technology firms from exporting certain sensitive U.S. goods. In August 2019, the U.S. Treasury declared China a currency manipulator. On September 1, 2019, the U.S. implemented further tariffs on more than US$125 billion worth of Chinese goods. On September 2, 2019, China lodged a complaint in the World Trade Organization against the U.S. over the import tariffs. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "Phase I Agreement"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China's economy and the PRC real estate industry remains uncertain. The adoption and expansion of trade restrictions, the occurrence and escalation of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact the PRC economy, which in turn could adversely impact our business, financial condition and results of operations.

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God and occurrence of epidemics

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 or H7N9 avian flu, the human swine flu, also known as Influenza A (H1N1) the Ebola virus disease or, most recently, the novel coronavirus named COVID-19 by the World Health Organization. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. The COVID-19 pandemic had suspended some of our construction and sales activities for certain period during the first quarter of 2020. We have fully resumed our construction activities and operations as of the date of this offering memorandum. Should the disruption to our operations extends, we may experience delays in completion and delivery of our projects, which may materially and adversely affect our results of operations and financial condition and may also cause reputation damage. In addition, any further disruption to our sales activities may negatively affect our liquidity and access to capital. The COVID-19 pandemic also caused the delay in resumption of local business in the PRC after the Chinese New Year holiday and introduced new restrictions on travel to and from affected areas. The COVID-19 pandemic may further create negative economic impact and increase volatility in the PRC and global market and continue to cause increasing concerns over the forward-looking assessment of the performance of the PRC residential property market, which may materially and adversely affect the demand for properties and property prices in China. See "— Risks Relating to the PRC — The global economy is facing significant uncertainties and disruptions caused by COVID-19." A recurrence of SARS or an outbreak of a health epidemic or contagious disease, including, for example, the ongoing COVID-19 epidemic, could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business.

Moreover, China has experienced natural disasters like earthquakes, floods and droughts in the past few years. For example, in May 2008 and April 2010, China experienced earthquakes in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. Since the beginning of 2010, there have occurred severe droughts in southwestern China, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in China may adversely affect its economy and in turn our business.

There is no guarantee that any future occurrence of natural disasters or outbreak of epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of the epidemics, will not seriously interrupt our operations or those of our customers, which may have a material and adverse effect on our results of operations.

The global economy is facing significant uncertainties and disruptions caused by COVID-19

The World Health Organization declared the COVID-19 to be a global epidemic on March 11, 2020. There has been rapid and widespread increase in new infections in the United States, Europe and other parts of the world and increased fatality rates in many countries.

Many countries have declared state of emergency, closed their borders to international travelers, and restricted movements of their citizens with a view to contain the pandemic and there is no assurance that such measures will be effective. There are indications that COVID-19 is continuing to spread across the globe so it is possible that many more countries may be affected.

There has been extreme volatilities in the global markets across all asset classes: stocks, bonds, oil and metals in the recent weeks and these volatilities may continue.

Italy has halted all commercial activities and there are closure of shops, offices and factories in many countries including the United States, Germany, the United Kingdom and many other countries in Europe. Citizens in many affected countries and areas are being advised or required to stay at their homes subject to limited exceptions. Although some countries including Italy have reopened their borders and allowed commercial activities to resume, the reduced consumption, commercial activities and industrial production may severely disrupt their economies and the global supply chain and may result in recessions in these economies.

Governments and central banks around the globe have introduced or are planning fiscal and monetary stimulus measures including tax cuts, direct subsidies, rates cut, bond repurchase programs and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the epidemic, stabilize the markets and provide liquidity easing to the markets. There is no assurance that such measures may be introduced in time or will be sufficient or effective in delivering their policy objectives. There is no assurance that these measures will be successful in containing the economic impact of the epidemic or stabilizing the markets.

In December 2020, a COVID-19 strain, Delta, was first identified in India. It swept rapidly through that country and the United Kingdom before reaching the United States, where it is now the predominant variant. Delta is considered more contagious and may cause more severe disease than all other known versions of the COVID-19, according to an internal presentation circulated within the Centers for Disease Control and Prevention of the United States. As of June 2021, Delta appeared in at least 132 countries. It remains unknown regarding the severity of Delta and whether it will trigger another round of outbreak globally.

As a result, the global economy is facing significant uncertainties and the global financial markets are experiencing significant volatilities. Such volatilities may negatively impact the share prices of the entities in which we have equity investments in. See "— Risks Relating to Our Business — We are subject to risks relating to our investments." Any potential economic slowdowns may also negatively affect the purchasing powers of potential property purchasers, which may lead to a decline in the general demand for our properties and erosion of their selling prices. Moreover, governments may also impose various monetary and regulatory policies to combat potential economic slowdowns. Such policies may include measures affecting the property market. See "— Risks Relating to Our Industry in the PRC — Our business is subject to extensive governmental regulation and in particular, we are susceptible to policy changes in the PRC property sector" and "— Risks Relating to Our Industry in the PRC — The PRC government may adopt further measures to cool down the growth in the property sector." If the global financial markets continue to experience volatility or if the PRC economy slows down, our business, financial condition and outlook, and the value of the Notes may be adversely affected.

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

The global credit markets have experienced significant volatility, such as those caused in recent years by the global financial and economic crisis, including the European debt crisis, the potential withdrawal of countries from the Euro-zone and volatility in the PRC stock market, which have led to less favorable financial and economic conditions. See "— Risks Relating to the PRC — The global economy is facing significant uncertainties and disruptions caused by COVID-19." There has also been significant volatility in the PRC stock markets during the second half of 2015 and the PRC government taking unprecedented steps to support the markets. Ongoing trade tensions between the PRC and the United States that began in 2018 have also resulted in volatility in major financial markets around the world. On July 30, 2021, Chairman of the Securities and Exchange Commission of the United States issued a statement and halted initial public offerings of Chinese companies until they increase disclosures of risks their shareholders may be confronted with. The recent policies issue by the Ministry of Education of the PRC restricted private education companies from making profits, has triggered a dramatic selloff in shares in the United States and Hong Kong market. In Europe, since the United Kingdom notified the European Council of its intention to withdraw from the European Union in accordance with Article 50(2) of the Treaty on European Union on March 29, 2017 ("Brexit"), there has been substantial uncertainty about the future relationship between the United Kingdom and the European Union. On January 31, 2020, the United Kingdom officially exited the European Union. following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom continued to participate in certain European Union organizations (such as the customs union) during a transition period that ended on December 31, 2020. With Brexit taking full effect, there remains uncertainty about the future relationship between the United Kingdom and the European Union. Any volatility or deterioration in the economic conditions in the United States, the United Kingdom, the European Union, the PRC or elsewhere may have and may adversely affect our business, financial condition and the results of its operations and its ability to access the capital markets. The slowdown in the economies of the United States, the European Union and certain Asian countries with which the PRC has important trade relationships or any future calamities may materially and adversely affect the economic growth of the PRC.

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

If we fail to complete the post-issuance report to the National Development and Reform Commission (the "NDRC") in connection with the Notes, the NDRC may impose penalties or other administrative procedures on us

On September 14, 2015, the NDRC promulgated the NDRC Notice pursuant to which if a PRC enterprise or an offshore enterprise or a branch controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such PRC enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue. According to the NDRC Notice, the enterprise must also report certain details of the bonds to the NDRC within ten business days upon the completion of the bond issue.

We have completed the registration with the NDRC and obtained a registration certificate on October 21, 2020. The NDRC Notice is silent on the legal consequences of noncompliance with the post-issue notification requirement under the NDRC Notice. If we do not report the post issuance information with respect to the Notes within the timeframe as provided under the NDRC Notice, the NDRC may impose sanctions or other administrative procedures on us, which may have a material adverse impact to its business, financial condition or results of operations.

Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations

The PRC government imposes controls on the convertibility between the Renminbi and foreign currencies and the remittance of foreign exchange out of China. We receive substantially all our revenue in Renminbi. Under our current corporate structure, our revenue is primarily derived from dividend payments from our PRC subsidiaries. Our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may pay cash dividends to us or service their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to provide financing to our PRC subsidiaries. Subsequent to this offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest the net proceeds from this offering in the form of registered capital into our PRC subsidiaries to finance our operations in China. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. In addition, our transfer of funds to our subsidiaries in China is subject to approval by PRC governmental authorities in the case of an increase in registered capital. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to provide financing to these subsidiaries, to undertake certain business opportunities and act in response to changing market conditions.

The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect our ability to deploy the funds raised outside of China in our business in the PRC

Under PRC laws and regulations, equity contributions by the Issuer and our non-PRC subsidiaries to us and our PRC subsidiaries will require approvals from the commerce department of the local government and registration with the MOFCOM, which may take considerable time and delay the actual contribution to us and the relevant PRC subsidiaries. This may adversely affect the financial condition of us and the relevant PRC subsidiaries and may cause delays to the business operations undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for ourselves and all our operating subsidiaries in the PRC to comply with this regulation.

We cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, funds raised outside of China in China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects and other operations in a timely manner, or at all.

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

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

If the PRC tax authorities determine that the Issuer is a "resident enterprise" for EIT purposes, a number of unfavorable PRC tax consequences could follow. The Issuer may be subject to EIT at a rate of 25% on its worldwide taxable income as well as PRC EIT reporting obligations. In the present case, this would mean that income such as interest from any investment of any portion of offering proceeds and other income sourced from outside the PRC would be subject to PRC EIT at a rate of 25%. Interest payable to certain "non-resident enterprise" holders of the Notes may be treated as income derived from sources within the PRC and be subject to PRC withholding tax at a rate of 10% and capital gains realized by holders of the Notes may be treated as income derived from sources within China and be subject to a 10% PRC tax, in each case, subject to the provisions of any applicable tax treaty.

Furthermore, if the Issuer is considered a "resident enterprise," interest or gains earned by non-resident individuals may be subject to PRC income tax (which, in the case of interest, may be withheld at source by us) at a rate of 20%, in each case, subject to the provisions of any applicable tax treaty. In addition to the uncertainty relating to the application of the "resident enterprise," the PRC government could amend the tax laws, rules and regulations to impose stricter tax requirements, higher tax rates or otherwise revise the EIT Law in a way that has an adverse impact on our business, financial condition and results of operations.

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

It may be difficult to effect service of process upon, or to enforce against, us or our directors or members of our senior management who reside in the PRC in connection with judgments obtained in non-PRC courts

We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, the substantial majority of our directors and senior management reside within China. As a result, it may not be possible for investors to effect service of process outside China upon the substantial majority of our directors and senior management. Moreover, China does not have treaties with the United States, the United Kingdom or many other countries providing for the reciprocal recognition and enforcement of the judgment of courts. As a result, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult.

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

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

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy, the PRC real estate industry and the selected PRC regional data contained in this offering memorandum

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

Risks Relating to the Notes and the Parent Guarantee

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

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

Payments with respect to the Parent Guarantee are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries

We are a holding company and conduct a substantial part of our operations through our subsidiaries in the PRC. The Notes will not be guaranteed by any of the current or future subsidiaries. Accordingly, our ability to honor the Parent Guarantee will largely depend upon our receipt of principal and interest payments on intercompany loans and distributions of dividends from our subsidiaries, mainly our PRC subsidiaries.

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

As of December 31, 2020, our subsidiaries had total indebtedness of approximately RMB39,320 million. The Notes and the Indenture permit us and our subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. The Notes and the Indenture do not restrict the ability of our subsidiaries to issue certain categories of guarantees in the ordinary course of business. In addition, the secured creditors of us and the Issuer would have priority as to our assets and/or the assets of the Issuer securing the related obligations over claims of the holders of the Notes.

We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations

We have incurred, and may from time to time incur, a substantial amount of bank and other borrowings. As of December 31, 2020, our total indebtedness was approximately RMB53,997 million, comprising bank loans of RMB33,326 million, bonds payables (including asset-backed securities) of RMB14,817 million, proceeds from asset management financing agreements of RMB4,992 million, and proceeds from trust plans of RMB861 million. In addition, as of December 31, 2020, we had capital commitments of approximately RMB5,734 million and contingent liabilities of approximately RMB12,765 million, respectively. For details, see the section headed "Description of Material Indebtedness and Other Obligations." Our total cash and cash equivalents might not be sufficient to cover our short-term indebtedness. These bank borrowing and any significant increase in our outstanding bank and other borrowings could have important consequences for you. For example, it could:

- limit our ability to satisfy our obligations under the Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all. If we or our subsidiaries incur additional debt, the risks that we face could intensify.

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless we are able to satisfy certain financial ratios or in the event that such financial ratios can not be satisfied, we can still incur such additional indebtedness pursuant to certain specified exceptions to such financial ratio requirements and satisfy other applicable conditions. From time to time, we relied and may continue to rely on such specified exceptions to incur additional indebtedness. In addition, certain of our financing arrangements also impose operating and financial restrictions on our business. Such restrictions in the Notes and our other financing arrangements may affect our ability to respond to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures or withstand a continuing or future downturn in our business.

We are permitted under the Indenture to incur additional indebtedness for so long as, our Fixed Charge Coverage Ratio will not fall below 2.5 to 1.0 after the incurrence of such indebtedness, or if such indebtedness constitutes Permitted Indebtedness. "Permitted Indebtedness" includes a number of categories of permitted indebtedness, among which includes a maximum amount based on our Total Assets. Investors should be cautioned that our Total Assets for purposes of the Indenture are calculated based on — unlike market practice, book value — the appraised value of our Total Assets, determined based on appraisals made no earlier than six months prior to the date of determination of the value of our Total Assets. Each of the foregoing defined terms is defined under the Indenture.

The subsidiaries of the Parent Guarantor are subject to restrictions on the payment of dividends to the Parent Guarantor, the Issuer and other subsidiaries

As a holding company, the Parent Guarantor depends, and as a financing company, the Issuer ultimately depends, upon the receipt of dividends from the subsidiaries of the Parent Guarantor and joint venture companies to satisfy their obligations, including their respective obligations under the Parent Guarantee and the Notes. The ability of the subsidiaries and joint venture companies to pay dividends to their shareholders (and ultimately to the Issuer) is subject to, among other things, distributable earnings, cash flow conditions, applicable law, and restrictions contained in the relevant constitutive documents, shareholders' agreements (if any) or debt financing agreements of such subsidiaries and joint venture companies. A few of the subsidiaries of the Parent Guarantor are restricted in their ability to pay dividends by financing agreements governing indebtedness of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to the Parent Guarantor or ultimately the Issuer to make payments on the Notes or the Parent Guarantee. These restrictions could reduce the amounts that the Parent Guarantor or ultimately the Issuer receives from these subsidiaries, which would restrict the Issuer's ability to meet its payment obligations under the Notes and the ability of the Parent Guarantor to meet its payment obligations under the Parent Guarantee.

The terms of the Notes give us enhanced flexibility to pay dividends and repurchase our shares

We pay dividends to our shareholders or repurchase our common stock from time to time. Under the Indenture, any such dividend payment will be a "Restricted Payment", which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and qualifications. Under the Description of the Notes, we may pay dividends on our Common Stock or repurchase our Common Stock in any financial year up to an aggregate amount not to exceed such amount equal to (x) 30% of the aggregate distributable profits of the Parent Guarantor for the three immediately prior financial years, minus (y) the aggregate amount of any repurchase of, or declaration and payment of dividends on, the Common Stock of the Parent Guarantor by the Parent Guarantor made during the two immediately prior financial years, or as otherwise requested by the Shanghai Stock Exchange following a general change of policy, without satisfying the Fixed Charge Coverage Ratio. With such an exception, we may be able pay substantial amount of dividends or make substantial amount of share repurchases even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the Notes.

For the years ended December 31, 2018, 2019 and 2020, we declared repurchases of, and payment dividends on, our Common Stock in an aggregate amount of RMB501 million, RMB581 million and RMB576 million, respectively.

Certain subsidiaries or affiliates of the Issuer or the Parent Guarantor may subscribe for the Notes as initial investors and the Parent Guarantor and its subsidiaries may purchase the Notes in the secondary market. This may constrain the trading price and liquidity of the Notes.

Certain subsidiaries or affiliates of the Issuer or the Parent Guarantor may subscribe for the Notes as initial investors. Given such affiliate investors may not be regarded as independent investors, circumstances may occur in which the interest of such affiliate investors may not align with the interest of other investors of the Notes. This may impact the initial offering price or the secondary market trading price of the Notes should such circumstances arise. Such affiliate investors may also purchase the Notes in the secondary market. The Notes so purchased are not required to be surrendered for cancellation according to the terms of the Notes and may be resold in the secondary market. However, the trading price and the liquidity of the Notes may be negatively affected by the investment of such affiliate investors. For example, if such affiliate investors sell a material portion of the Notes in the secondary market, it may materially and adversely affect the trading price of the Notes. The negative effect of such sales on the prices of the Notes could be more pronounced if secondary trading in the Notes is limited or illiquid. Investors should take the foregoing into account when making an investment decision in the Notes.

In the past, the Parent Guarantor from time to time conducted repurchase of its outstanding offshore notes on the secondary market and may continue to do so. Such repurchase activities may result in large and sudden changes in the volume and price at which such notes trade on the secondary market. We cannot assure you that such repurchase activities will not occur in the future. When making any investment decision to purchase any new securities issued by the Parent Guarantor, potential investors are cautioned not to place undue and sole reliance on the liquidity and trading price of the Parent Guarantor's offshore notes on the secondary market.

Certain initial investors may own a majority of the Notes to be issued and may therefore be able to exercise certain rights and powers on behalf of all holders of the Notes.

Certain initial investors may purchase and own a majority of the Notes. Any holder of a majority in aggregate principal amount of the Notes will have certain rights and powers under the Indenture and related documents. For example, subject to certain exceptions, the holders of a majority in aggregate principal amount of the Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. In addition, as described in "Description of Notes — Amendments and Waivers," the Indenture may be amended with the consent of the holders of a majority in aggregate principal amount of the Notes, and any Default or Event of Default or compliance with any provision of the Indenture may be waived with the consent of the holders of a majority in aggregate principal amount of the outstanding Notes, subject in each case to certain exceptions. Accordingly, any holder or group of holders that holds a majority in aggregate principal amount of the Notes will be able to exercise such rights and powers on behalf of all holders of the Notes and control the outcome of votes on such matters. Therefore, there is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of individual holder of the Notes.

In addition, any holder or group of holders that holds a significant percentage of the Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders of the Notes. For example, holders of at least 25% in aggregate principal amount of the Notes may declare all of the Notes to be immediately due and payable if certain types of Events of Default have occurred and are continuing.

There can be no assurance that we will be able to obtain and remit foreign exchange

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

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. The value of the Renminbi against other currencies, including U.S. dollars, may fluctuate and is affected by, among other things, changes in China's political and economic conditions. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band of as much as 0.3% against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% on March 17, 2014. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 24.5% from July 21, 2005 to December 31, 2014. On August 11, 2015, to improve the central parity quotations of the Renminbi against the U.S. dollar, the PBOC authorized market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on August 11, 2015, the Renminbi depreciated significantly against the U.S. dollar. Throughout 2016, the Renminbi experienced further fluctuation in value against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar-denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes and other indebtedness denominated in foreign currencies.

In 2018, escalating U.S.-China trade hostilities have brought further uncertainty to global markets and, to a certain extent, impacted business and financial market sentiment, influenced financial market volatility, and slowed investment and trade, which might cause further fluctuations in the exchange rates between the Renminbi and the U.S. dollar.

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

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

We may not be able to repurchase the Notes upon a Change of Control Triggering Event

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

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

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

Investors should note that our equity interests have been, and will from time to time be, pledged by our shareholders to secure financing provided by third-party banks to our shareholders. If our shareholders default on such financing, it may result in enforcement of such pledges by such third-party banks that may result in the occurrence of a Change of Control Triggering Event. As of the date of this offering memorandum, investors should note that the equity interests of certain subsidiaries of or entities controlled by us have not been pledged by us to, for instance, secure third-party financing.

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

Pursuant to terms of the Notes, the Issuer may elect to redeem the Notes prior to their maturity. The date on which the Issuer elects to redeem the Notes may not accord with the preference of particular noteholders. In addition, a noteholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Notes.

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

In light of land prices, sizes of projects, the competitive landscape and other factors, we may from time to time consider developing property developments jointly with other property developers. We may also from time to time make minority investments that we believe are viable. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the Indenture governing the Notes. Although the Indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries, minority joint ventures or other minority investments, these restrictions are subject to important exceptions and qualifications. See the definition of "Permitted Investments" in "Description of the Notes."

We do not have operational control over entities and strategic alliances in which we hold a minority interest, and the conduct of the controlling shareholder or other major shareholders in such arrangements may harm our reputation or adversely affect the value of our investment and may limit our ability to offer our products in certain markets directly or through other third parties

We have and may in the future acquire minority equity interests in entities and enter into strategic alliances, in which we lack management and operational control. Minority investments involve risks. The controlling shareholder and other major shareholders in such entities and alliances may have business interests, strategies or goals that are inconsistent with ours, including with respect to customer relations, investments, marketing and other business initiatives, interactions with local governments and competitors, and business decisions. Actions or omissions of the controlling shareholder, other major shareholders or the entity in which we have an interest may result in harm to our reputation or adversely affect the value of our investment. Our partners may encounter financial difficulties, including declaring bankruptcy, which may as a practical matter subject us to such partners' liabilities in connection with the entity in which we have an interest. In addition, our minority investments in certain unlisted companies are not liquid or easily transferable which may adversely affect the value of such investments. The occurrence of any or all of these events could have a material adverse effect on our results of operations.

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

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

The Issuer may be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event the Issuer is required to pay additional amounts because it is treated as a PRC "resident enterprise"

In the event that the Issuer is treated as a PRC "resident enterprise" under the EIT Law, it may be required to withhold PRC income tax on interest payable to certain of its non-resident investors. In such case, the Issuer will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required.

As described under the subsection entitled "Description of the Notes — Redemption for Taxation Reasons," in the event that the Issuer is required to pay additional amounts as a result of certain changes in tax law, including any change to an existing official position or the stating of an official position regarding the application or interpretation of such tax law that results in the Issuer being required to withhold tax on interest payments as a result of its being treated as a PRC "resident enterprise," the Issuer may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest and any additional amounts.

The Issuer may not be able to repurchase the Notes at the option of the holders of the Notes

Holders of the notes will have the right, at their option, to require us to repurchase their Notes on September 28, 2023 (in whole or in part) at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest as described under "Description of the Notes — Increased Interest; Repurchase of Notes at the Option of the Holders." However, the Issuer may not have enough cash available or be able to obtain financing at the time it is required to make repurchases of the Notes surrendered therefor. In addition, the Issuer's ability to repurchase the Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Any failure by the Issuer to repurchase the Notes would constitute a default under the Indenture. A default under the Indenture could also lead to a default under the existing financing agreements of the Issuer and the Parent Guarantor and other agreements governing any future indebtedness.

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

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

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

Our operations are restricted by the terms of the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk

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

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;

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

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

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

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

A trading market for the Notes may not develop, and the existence of significant holders of the Notes may further constrain the trading price and liquidity of the Notes

The Notes are a new issue of securities for which there is currently no trading market. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. However, there can be no assurance as to the liquidity of the Notes or that an active trading market will develop. The liquidity of the Notes could be affected by various factors, including, in particular, a limited number of investors subscribing for a significant portion of the Notes. Such investors may include the Issuer, the Parent Guarantor, and entities affiliated with the Issuer and the Parent Guarantor. The Initial Purchasers are not obligated to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. Furthermore, a small number of investors or a single investor may purchase a significant portion of the aggregate principal amount of the Notes in this offering. The existence of any such significant holders of the Notes may constrain the trading price and liquidity of the Notes. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "Transfer Restrictions."

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

The Notes are expected to be rated "B-" by S&P. The rating addresses our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, government regulations and changes thereof applicable to our industry, the increased interest rate on the Notes at which the Issuer may elect to pay pursuant to the Indenture and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. Therefore, there is no assurance that the Notes would not trade in the secondary market at prices that are lower than the initial issue price, which may result in an immediate loss to the investors should they wish to sell the Notes under such market conditions. We cannot assure you that these developments will not occur or there will always be a secondary market for the Notes in the future.

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

Facts and statistics in this offering memorandum relating to the PRC economy and the real estate industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchasers or our or their respective advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

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

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

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

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

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

Although we intend to apply the proceeds from the offering contemplated under this offering memorandum for offshore purposes permitted under applicable laws and regulations, we cannot assure you that the SAFE in the future will not take the view that our actual use of proceeds is not consistent with the use of proceeds as recorded with the SAFE, as such, any remittance of proceeds outside of the PRC as a result of enforcement of the Parent Guarantee may not be permitted by the SAFE.

There may be less publicly available information about us than is available in certain other jurisdictions

There may be less publicly available information about companies listed in the Shanghai Stock Exchange than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with PRC GAAP, which differ in certain significant respects from IFRS. We have not prepared a reconciliation of our consolidated financial information and our consolidated financial statements and related footnotes between PRC GAAP and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between PRC GAAP and any other generally accepted accounting principles and how those differences might affect the financial information contained in this offering memorandum.

We will follow the applicable corporate disclosure standards for debt securities listed on Hong Kong Stock Exchange, and such standards may be different from those applicable to debt securities listed in certain other countries

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

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

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

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

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

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

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

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

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

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

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, our obligations under the Parent Guarantee will be limited to the maximum amount that can be guaranteed by us without rendering the guarantee, as it relates to us, voidable under such applicable insolvency or fraudulent transfer laws. We cannot assure you that such limitation will be effective in preserving the enforceability of the Parent Guarantee.

If a court voids the Parent Guarantee, subordinates such guarantee to our other indebtedness, or holds the Parent Guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against us based upon such guarantee, would be subject to the prior payment of all our liabilities (including trade payables), and would solely be creditors of the Issuer. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

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

In certain circumstances, including without limitation the giving of notice to the Issuer upon an Event of Default and taking enforcement steps pursuant to the terms of the Indenture, the Trustee may (at its sole and absolute discretion) request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes steps and/or action and/or institutes proceedings on behalf of Noteholders. The Trustee will not be obliged to take any such steps and/or action and/or institutes any such proceedings if not first indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such steps and/or action can be taken and/or such proceedings can be instituted. The Trustee may not be able to take steps and/or action and/or to institute any proceedings on behalf of the Noteholders, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Indenture and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and applicable laws and regulations, it will be for the Noteholders to take such steps and/or actions and/or institute any such proceedings directly.

USE OF PROCEEDS

The gross proceeds from this offering, before deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be US$250 million. We intend to use the net proceeds from this offering to refinance our existing medium to long term offshore indebtedness which will become due within one year.

We may adjust our development plans in response to changing market conditions and therefore reallocate the use of the proceeds.

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

EXCHANGE RATE INFORMATION

PRC

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

On March 15, 2014, PBOC announced that since March 17, 2014, the floating band of inter-bank spot foreign exchange market trading price of RMB against U.S. dollar was further widened from 1% to 2%. On each business day, the spread between the Renminbi and U.S. dollars buying and selling prices offered by the designated foreign exchange banks to their clients shall be within 3% of published central parity of U.S. dollar on that day, instead of 2%. PBOC may continue to promote the market-based Renminbi exchange rate regime, enhance the flexibility of Renminbi exchange rate in both directions, and keep the Renminbi exchange rate basically stable at an adaptive and equilibrium level. On August 11, 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Since 2016, Renminbi has experienced further fluctuation in value against the U.S. dollar, and the recent US-China trade war brought more uncertainties. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rates in Renminbi per U.S. dollar, as set forth in the H.10 statistical release of the Federal Reserve Bank of New York for the periods indicated:

	Noon Buying Rate			
	Period end	Average(1)	Low	High
	RMB per US$1.00			
Period				
2016	6.9430	6.6400	6.4480	6.9580
2017	6.5063	6.7350	6.4773	6.9755
2018	6.8755	6.6090	6.2649	6.9737
2019	6.9618	7.2812	6.7319	7.8499
2020	6.5250	6.9042	7.1681	6.5208
2021				
March	6.5518	6.5109	6.4648	6.5716
April	6.4749	6.5186	6.4710	6.5649
May	6.3674	6.4321	6.3674	6.4749
June	6.4566	6.4250	6.3796	6.4811
July	6.4609	6.4763	6.4562	6.5104
August	6.4604	6.4768	6.4604	6.5012
September (through September 17, 2021)	6.4655	6.4531	6.4320	6.4662

Note:

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

Hong Kong

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

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK$7.80 to US$1.00 since the peg was first established. However, in May 2005, the Hong Kong Monetary Authority broadened the 22-year old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong Special Administrative

Region government has stated its intention to maintain the link at that rate and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong Special Administrative Region government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong Special Administrative Region government will maintain the link at HK$7.75 to HK$7.85 per U.S. dollar, or at all.

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

	Noon Buying Rate			
	Period end	**Average(1)**	**Low**	**High**
	HKD per US$1.00			
Period				
2016	7.7534	7.7620	7.7505	7.8270
2017	7.8128	7.7926	7.7540	7.8267
2018	7.8305	7.8376	7.8043	7.8499
2019	7.7894	7.8356	7.7894	7.8498
2020	7.7534	7.7562	7.7927	7.7500
2021				
March	7.7746	7.7650	7.7562	7.7746
April	7.7664	7.7691	7.7596	7.7849
May	7.7610	7.7654	7.7608	7.7697
June	7.7658	7.7617	7.7566	7.7666
July	7.7723	7.7705	7.7651	7.7837
August	7.7779	7.7834	7.7735	7.7925
September (through September 17, 2021)	7.7810	7.7774	7.7708	7.7834

Note:

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

CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our consolidated current borrowings and capitalization as of December 31, 2020:

- on an actual basis; and
- on an adjusted basis to give effect to the issuance of the Notes and receipt of the gross proceeds from this offering before deducting the underwriting discounts and commissions and other estimated expenses relating to this offering payable by us.

You should read this table in conjunction with our consolidated financial statements and the related notes included elsewhere in this offering memorandum.

	As of December 31, 2020			
	Actual		As adjusted	
	(RMB million)	(US$ million)[(1)]	(RMB million)	(US$ million)[(1)]
Current indebtedness				
Short-term borrowings[(2)]	5,781	886	5,781	886
Notes payable[(3)]	400	61	400	61
Non-current liabilities maturing within one year[(4)]	10,640	1,631	10,640	1,631
Total current indebtedness	**16,822**	**2,578**	**16,822**	**2,578**
Non-current indebtedness				
Long-term borrowings	26,456	4,055	26,456	4,055
Bonds payable[(5)]	8,056	1,235	8,056	1,235
Other non-current liabilites	2,664	408	2,664	408
Notes to be issued	—	—	1,631	250
Total long-term indebtedness	**37,176**	**5,697**	**38,807**	**5,948**
Total indebtedness[(6)]	**53,997**	**8,275**	**55,629**	**8,526**
Total Equity	**38,528**	**5,905**	**38,528**	**5,905**
Total capitalization[(7)]	**92,525**	**14,180**	**94,157**	**14,431**

Notes:

(1) Calculated at the exchange rate of US$1.00 = RMB6.525 on December 31, 2020 as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Excluding non-interest bearing portion in the amount of RMB7 million of interest payable.

(3) Excluding non-interest bearing portion in the amount of RMB200 million of bank acceptance warranty and RMB42 million of trade acceptance.

(4) After deducting interest adjustment in amount of RMB32 million and excluding non-interest bearing portion in amount of RMB428 million of interest payable.

(5) After deducting interest adjustment in amount of RMB40 million.

(6) Total indebtedness equals total current indebtedness plus total long-term indebtedness.

(7) Total capitalization equals total indebtedness plus total equity.

In February 2021, we issued the 2021 Xinhu Bonds 01. See “Recent Developments — PRC Corporate Bonds.”

In February 2021 Hong Kong Xinao Investment Limited, our wholly owned subsidiary, as the borrower, entered into a maximum amount of HKD200,000,000 term loan facility letter with Chiyu Banking Corporation Limited, as the lender (the “Chiyu Term Loan Facility II”). See “Recent Developments — New Offshore Bank Facilities”.

In March 2021, we repurchased in total an aggregate principal amount of US$86,300,000 of the notes issued by the Issuer and unconditionally and irrevocably guaranteed by the Company pursuant to the provisions of the indenture dated 14 March 2019, which were subsequently cancelled. Immediately after our repurchase of the notes, the outstanding principal amount of the notes was US$188,700,000. The notes bore an interest rate of 11.00% per annum. See “Recent Developments — Bonds Repurchase.”

In April 2021 Hong Kong Xinao Investment Limited, our wholly owned subsidiary, as the borrower, entered into a maximum amount of HKD150,000,000 term loan facility letter with Chiyu Banking Corporation Limited, as the lender (the “Chiyu Term Loan Facility III”). See “Recent Development — New Offshore Bank Facilities”.

In May 2016, we issued the 2016 Xinhu Bonds 01 with a principal amount of RMB3.5 billion for a term of five years. In May 2021, we redeemed all the outstanding principal amount of 2016 Xinhu Bonds 01 upon its maturity. 2016 Xinhu Bonds 01 has been cancelled.

In June 2021, we repurchased in total an aggregate principal amount of US$64,600,000 of the notes issued by the Issuer and unconditionally and irrevocably guaranteed by the Company pursuant to the provisions of the indenture dated 12 June 2019, which were subsequently cancelled. Immediately after our repurchase of the notes, the outstanding principal amount of the notes was US$95,400,000. The notes bore an interest rate of 11.00% per annum. See “Recent Developments — Bonds Repurchase.”

In August 2021, the “Xiangcai — Suzhou Xinhu Square Asset-backed Securities” was established by Xiangcai Co., Ltd. (湘財股份有限公司) (600095.SH) under our engagement, under which asset-backed securities with the aggregate principal amount of RMB1.05 billion were issued. See Recent Developments — Asset-backed Securities.

In August 2021, we issued the 2021 Xinhu Bonds 02. See “Recent Developments — PRC Corporate Bonds.”

In September 2021, we repurchased in total an aggregate principal amount of RMB462,853,000 of the 2019 Xinhu Bonds 01. See “Recent Developments — Bonds Repurchase.”

In September 2021, we repurchased in total an aggregate principal amount of US$50,000,000 of the notes issued by the Issuer and unconditionally and irrevocably guaranteed by the Company pursuant to the provisions of the indenture dated December 20, 2018, which will be subsequently cancelled. As of the date of this offering memorandum, the repurchased notes have not been cancelled. The outstanding principal amount of the notes, immediately after the cancellation, will be US$175,100,000. The notes bore an interest rate of 11.00% per annum.

Except as otherwise disclosed in this offering memorandum, there has been no material change in our capitalization since December 31, 2020.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present our selected audited consolidated financial and other data. The audited consolidated financial information of the Company as of and for the years ended December 31, 2019 and 2020 has been derived from the 2020 Annual Financial Statements and the audited consolidated financial information of the Company as of and for the year ended December 31, 2018 has been derived from the 2019 Annual Financial Statements. Our Annual Financial Statements were prepared and presented in accordance with PRC GAAP and have been audited by Pan-China, our independent auditor.

The 2020 Annual Financial Statements were subject to, and were prepared in accordance with CASBE 14 — Revenues (the "CASBE 14 — Revenues") and the Interpretation for China Accounting Standards for Business Enterprise No.13 published by MOF (collectively, the "2020 Revised Financial Instrument Standard"), which the Group has adopted since January 1, 2020. The 2020 Revised Financial Instrument Standard does not require, and we do not prepare, retrospective adjustment of comparative financial statements, but the difference arising from adoption of the 2020 Revised Financial Instrument Standard on the adopting date shall be retrospectively adjusted into retained earnings or other related items at the beginning of the reporting period. As a result, historical financial information concerning periods before January 1, 2020 may not be directly comparable to the financial information of corresponding period in 2020 prepared under the 2020 Revised Financial Instrument Standard. For details and impact on the 2020 Annual Financial Statements, see Note II (XXXIV) — "Significant changes in accounting policies" to the 2020 Annual Financial Statements included elsewhere in this offering memorandum.

Pursuant to the Notice on the Revision of the Format for Issuing General Enterprise Financial Statements for 2019 (Cai Kuai [2019] No. 6), which is newly promulgated on April 30, 2019, "notes receivable and accounts receivable" has been adjusted and divided into two separate line items, and "notes payable and accounts payable" has been adjusted and divided into two separate line items. For details and impact on us of such restatement, see Note III (XXXI) — "Significant changes in accounting policies and estimates" to the 2019 Annual Financial Statements included elsewhere in this offering memorandum.

The 2019 Annual Financial Statements and the 2020 Annual Financial Statements were also subject to, and were prepared in accordance with the Revised Financial Instrument Standard, which is applicable to us since January 1, 2019. The Revised Financial Instrument Standard does not require, and we do not prepare, retrospective adjustment of historical or comparative financial statements. As a result, historical financial information concerning periods before January 1, 2019 may not be directly comparable to the financial information of corresponding periods in 2019 or 2020 prepared under the Revised Financial Instrument Standard.

Certain data as of and for the year ended as of December 31, 2018 were adjusted due to accounting errors. See Note XIV(I) "Correction of prior period errors" to the 2019 Annual Financial Statements, which are included elsewhere in this offering memorandum. These data are marked in asterisk (*) and differ from how they appear in the 2018 Annual Financial Statements included elsewhere in this offering memorandum.

PRC GAAP differs in certain material respects from IFRS. See "Summary of Certain Material Differences between PRC GAAP and IFRS." You should read the summary consolidated financial statements set forth below in conjunction with our consolidated financial statements, together with the accompanying notes, included elsewhere in this offering memorandum.

Summary Consolidated Income Statements Data

	For the year ended December 31,			
	2018	**2019**	**2020**	**2020**
	(RMB'000) **(audited)**	**(RMB'000)** **(audited)**	**(RMB'000)** **(audited)**	**(USD'000)** **(unaudited)**
Total operating revenue	**17,227,115**	**14,810,295**	**13,792,021**	**2,113,720**
Including: Operating revenue	17,227,115	14,810,295	13,792,021	2,113,720
Total operating cost	**(15,819,642)**	**(14,899,955)**	**(15,144,804)**	**(2,321,043)**
Including: Operating cost	(12,311,671)	(9,553,992)	(9,710,219)	(1,488,156)
Taxes & surcharge	(1,074,600)	(1,877,984)	(1,826,627)	(279,943)
Selling expenses	(315,150)	(397,317)	(394,019)	(60,386)
Administrative expenses	(420,224)	(445,335)	(463,733)	(71,070)
Financial expenses	(1,697,997)	(2,625,326)	(2,750,207)	(421,488)
Including: interest expenses	(2,034,935)	(2,707,211)	(2,685,241)	(411,531)
interest income	318,600	175,828	160,655	24,622
Add: Other income	**11,407**	**3,837**	**8,628**	**1,322**
Investment income	**2,489,613**	**3,643,634**	**4,608,922**	**706,348**
Including: investment income from associates and joint ventures	2,310,578	2,850,832	2,794,763	428,316
Gains/(losses) on changes in fair value	**(87,312)**	**(689,714)**	**(177,666)**	**(27,228)**
Credit impairment loss(1)	**—**	**(2,614)**	**(192,904)**	**(29,564)**
Assets impairment loss(2)	(271,875)	(29,969)	(163,858)	(25,112)
Gains/(losses) on asset disposal	**(598)**	**185**	**2,847**	**436**
Operating profit	**3,548,708**	**2,835,699**	**2,733,186**	**418,879**
Add: Non-operating revenue	3,722	10,956	1,050,607	161,013
Less: Non-operating expenditures	(24,251)	(90,333)	(48,220)	(7,390)
Profit before taxation	**3,528,179**	**2,756,321**	**3,735,573**	**572,502**
Less: Income tax	(834,820)	(644,695)	(444,597)	(68,137)
Net profit	**2,693,359**	**2,111,627**	**3,290,976**	**504,364**
Net profit attributable to owners of parent company	2,506,202	2,153,413	3,164,500	484,981
Net profit (loss) attributable to non-controlling shareholders	187,158	(41,786)	126,476	19,383

Notes:

(1) In accordance with the Revised Financial Instrument Standard, for the years ended December 31, 2019 and 2020, credit impairment loss was added into the consolidated income statements as an independent income item.

(2) Prior to January 1, 2019, assets impairment loss was presented as an expense item under "total operating cost." From January 1, 2019, gains or losses arising from assets impairment are recorded as a standalone income item as "assets impairment loss" instead of listed as a component of total operating cost. For comparative purposes, assets impairment losses for the years ended December 31, 2018 are presented as a standalone income item in this table.

Other Financial Data (unaudited)[1]

	For the year ended December 31,			
	2018	2019	2020	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(USD'000)
Adjusted EBITDA[2]	6,759,375	7,130,624	5,110,954	783,288
Adjusted EBITDA margin (%)[3]	39.7	48.6	37.3	37.3

Notes:

(1) Neither Adjusted EBITDA nor Adjusted EBITDA margin is a standard measure under PRC GAAP. EBITDA-based measures are widely used financial indicators of a company's ability to service and incur debt. EBITDA-based measures should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA-based measures do not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA-based measures we believe that investors should consider, among other things, the components of such EBITDA-based measures such as sales and operating expenses and the amount by which such EBITDA-based measures exceed capital expenditures and other charges. We have included EBITDA-based measures because we believe they are useful supplements to cash flow data as measures of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA-based measures presented herein may not be comparable to similarly titled measures presented by other companies and components of our EBITDA-based measures may not be comparable to similarly named components presented by other companies whose financial statements were prepared under generally accepted accounting principles other than PRC GAAP. Investors should not compare our EBITDA-based measures or components of our EBITDA-based measures to EBITDA-based measures or components of EBITDA-based measures presented by other companies. Investors should also note that EBITDA-based measures as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. See the section entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.

(2) Adjusted EBITDA represents net operating revenue less cost of sales, sales expenses and general and administrative expenses plus depreciation, amortization and capitalized interests.

(3) Adjusted EBITDA margin is calculated as Adjusted EBITDA margin divided by net operating revenue.

Selected Consolidated Statements of Financial Position Data

	As of December 31,			
	2018	2019	2020	2020
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)	(USD'000) (unaudited)
Current assets				
Cash and bank balances	16,017,985	14,690,206	16,921,092	2,593,271
Held-for-trading financial assets	—	1,944,634	2,465,166	377,803
Financial assets at fair value through profit or loss	1,482,810	—	—	—
Notes receivable	—*(1)	—	—	—
Accounts receivable	841,816*(1)	45,266	63,981	9,805
Advances paid	201,365	215,397	127,746	19,578
Other receivables	2,846,715	6,881,206	6,603,069	1,011,965
Including: dividends receivable	—	—	—	—
Inventories	70,354,015	68,717,245	52,131,890	7,989,562
Non-current assets due within one year	20,676	27,800	10,079	1,545
Other current assets	1,087,720	1,322,959	1,529,423	234,394
Total current assets	**92,853,101**	**93,844,713**	**79,852,445**	**12,237,923**
Non-current assets				
Available-for-sale financial assets	9,698,952	—	—	—
Long-term equity investments	32,203,576*(2)	34,929,044	38,870,560	5,957,174
Other equity instrument investment	—	2,343,018	3,714,934	569,338
Other non-current financial assets	—	8,400,632	7,218,803	1,106,330
Investment property	1,066,803	1,738,338	2,757,082	422,541
Fixed assets	514,530	518,804	498,800	76,445
Construction in progress	696	13,530	32,699	5,011
Intangible assets	147,369	144,726	135,459	20,760
Development expenditures	872,887	880,763	927,502	142,146
Long-term prepayments	22,904	24,805	33,854	5,188
Deferred tax assets	759,764	1,161,841	1,495,413	229,182
Other non-current assets	1,730,561	31,807	147,013	22,531
Total non-current assets	**47,018,043**	**50,187,308**	**55,832,118**	**8,556,646**
Total assets	**139,871,144**	**144,032,021**	**135,684,563**	**20,794,569**

Notes:

(1) "Notes receivable and accounts receivable" as of December 31, 2018 has been adjusted and divided into two separate line items, respectively, pursuant to the Notice on the Revision of the Format for Issuing General Enterprise Financial Statements for 2019 (Cai Kuai [2019] No. 6) promulgated on April 30, 2019.

(2) The number has been adjusted in the 2019 Annual Financial Statements.

	As of December 31,			
	2018	2019	2020	2020
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)	(USD'000) (unaudited)
Current liabilities				
Short-term borrowings	2,941,084	3,959,937	5,788,576	887,138
Notes payable	110,000(1)	432,364	642,416	98,455
Accounts payable	2,014,218*(1)	3,197,715	3,489,032	534,717
Advances received	16,356,983	18,560,218	15,545	2,382
Contract liabilities	—	—	20,620,623	3,160,249
Employee benefits payable	22,035	30,787	33,765	5,175
Taxes and rates payable	1,892,942	1,939,009	1,835,927	281,368
Other payables	2,594,545	4,752,809	11,184,652	1,714,123
Non-current liabilities due within one year	16,580,842	18,744,116	11,036,368	1,691,397
Other current liabilities	1,858,755	3,389,636	5,131,701	786,468
Total current liabilities	**44,371,406**	**55,006,590**	**59,778,604**	**9,161,472**
Non-current liabilities				
Long-term borrowings	40,448,811	35,543,834	26,455,693	4,054,512
Bonds payable	17,800,082	13,795,209	8,016,314	1,228,554
Provisions	60,000	60,000	63,720	9,766
Deferred income	257,797	170,435	170,773	26,172
Deferred tax liabilities	7,123	67	7,501	1,150
Other non-current liabilities	2,539,420	4,292,400	2,663,800	408,245
Total non-current liabilities	**61,113,232**	**53,861,946**	**37,377,801**	**5,728,399**
Total liabilities	**105,484,639**	**108,868,535**	**97,156,405**	**14,889,870**
Shareholders' equity				
Share capital	8,599,344	8,599,344	8,599,344	1,317,907
Capital reserve	7,961,906	7,593,062	8,983,480	1,376,778
Other comprehensive income	(245,476)	130,009	(13,798)	(2,115)
Surplus reserve	1,140,862*(2)	1,185,553	1,266,092	194,037
Undistributed profit	16,162,559*(2)	17,423,654	19,602,181	3,004,166
Total equity attributable to the parent company	33,619,195	34,434,911	37,837,201	5,798,805
Non-controlling interest	767,310	728,574	690,957	105,894
Total equity	**34,386,506**	**35,163,485**	**38,528,159**	**5,904,699**
Total liabilities & equity	**139,871,144**	**34,434,911**	**135,684,563**	**20,794,569**

Notes:

(1) "Notes payable and accounts payable" as of December 31, 2018 has been adjusted and divided into two separate line items, respectively, pursuant to the Notice on the Revision of the Format for Issuing General Enterprise Financial Statements for 2019 (Cai Kuai [2019] No. 6) promulgated on April 30, 2019.

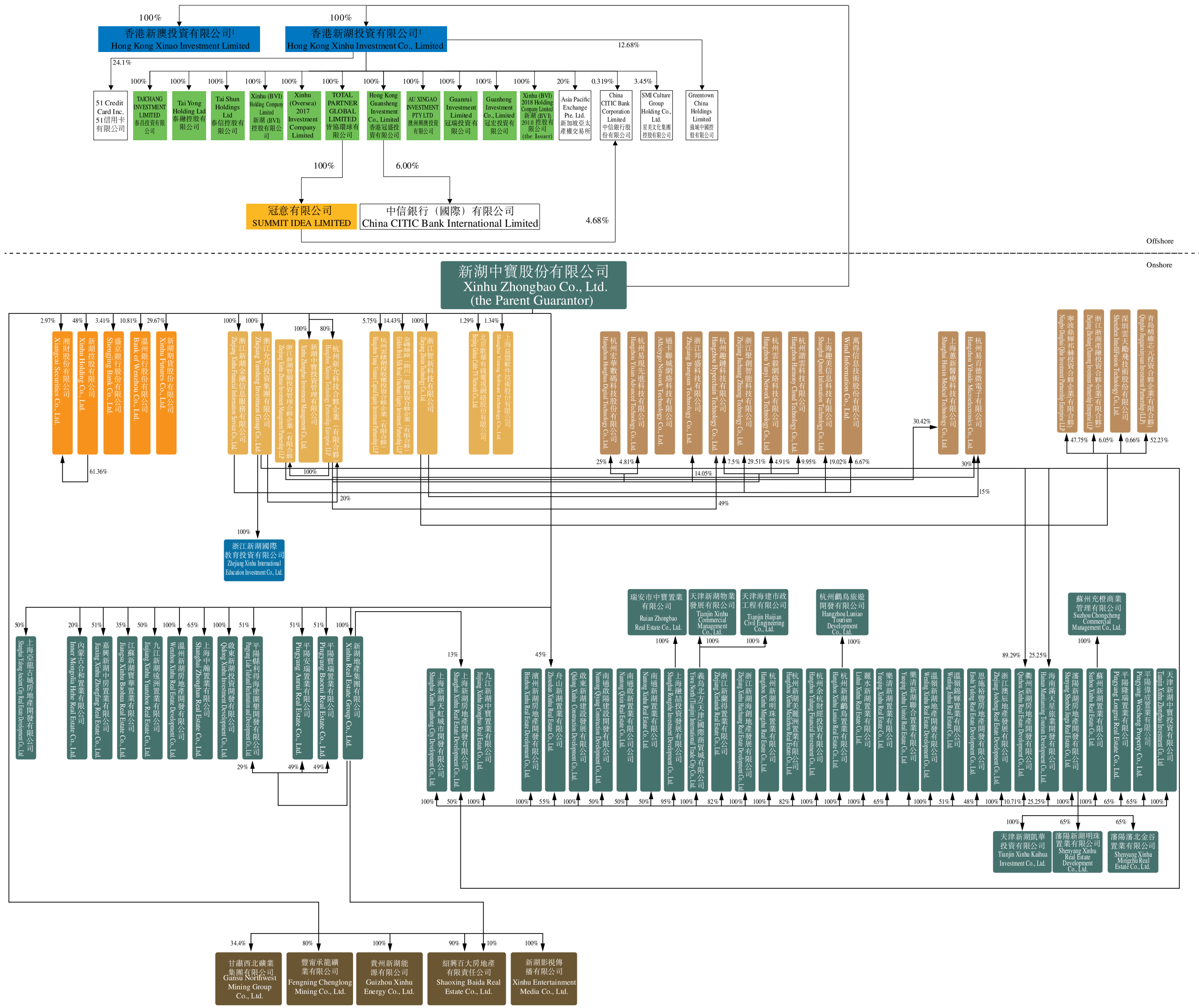
(2) The number has been restated in the 2019 Annual Financial Statements.

Selected Consolidated Cash Flow Statements Data

	For the year ended December 31,			
	2018	2019	2020	2020
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)	(USD'000) (unaudited)
Net cash flows from operating activities . . .	(3,778,676)	2,267,506	5,039,416	772,324
Net cash flows from investing activities . . .	(4,068,622)	2,022,347	(2,081,753)	(319,043)
Net cash flows from financing activities . . .	6,097,318	(6,337,549)	(4,488,358)	(687,871)
Effect of foreign exchange rate changes on cash & cash equivalents	112,843	(9,930)	(206,973)	(31,720)
Net increase in cash and cash equivalents. . .	(1,637,138)	(2,057,626)	(1,737,668)	(266,309)
Add: Opening balance of cash and cash equivalents..	16,220,406	14,583,268	12,525,642	1,919,639
Closing balance of cash and cash equivalents..	14,583,268	12,525,642	10,787,974	1,653,329

CORPORATE STRUCTURE

The following diagram sets forth our corporate structure (including our investee companies) as of December 31, 2020:



DESCRIPTION OF THE ISSUER

The Issuer, our indirect wholly-owned subsidiary, was incorporated as a BVI business company with limited liability on September 3, 2018 in the British Virgin Islands under the BVI Business Companies Act, 2004. The Issuer's BVI company number is 1991031. Its registered office is located at Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola, British Virgin Islands. Under the Issuer's memorandum of association, the Issuer may carry on or undertake any business or activity, and do any act or enter into any transaction that is not prohibited under any law for the time being in force in the British Virgin Islands. However, so long as the Notes, the 2018 Offshore Notes, the 2019 March Offshore Notes, the 2019 June Offshore Notes and the 2020 March Offshore Notes are outstanding, the Issuer will limit its permitted activities as described under "Description of the Notes — Certain Covenants — Limitation on the Issuer's Activities." The Issuer's primary purpose is to act as one of our financing subsidiaries to issue and hold the 2018 Offshore Notes, the 2019 March Offshore Notes, the 2019 June Offshore Notes, the 2020 March Offshore Notes, the Notes and other similar debt obligations. The Issuer will remain our indirect wholly-owned subsidiary as long as the Notes, the 2018 Offshore Notes, the 2019 March Offshore Notes, the 2019 June Offshore Notes and the 2020 March Offshore Notes are outstanding. The Issuer has and will have no material assets apart from advances made to affiliated companies through intercompany loans.

The sole director of the Issuer is Ms. Lin Junbo. No part of the equity securities of the Issuer is listed or dealt on any stock exchange, and no listing or permission to deal in such securities is being or is proposed to be sought. The Issuer has no subsidiaries.

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

Overview

We are one of the leading property developers in the Yangtze River Delta Economic Circle and are primarily engaged in the design, construction, marketing, sale and leasing of residential properties. We became listed on the Shanghai Stock Exchange in June 1999 (600208.SH), and have since been one of the largest A-share listed companies in Zhejiang Province as measured by market capitalization. We had a market capitalization of RMB26.2 billion based on the closing price of our A-share on December 31, 2020. As a constituent stock in the CSI Smallcap 500 Index (中證小盤500指數), we believe that we can exert substantial market influence and our "Xinhu" brand has earned a nationwide reputation for providing quality properties to our customers. As of December 31, 2020, we had 49 residential and commercial projects in various stages of development in the PRC, with a total site area of approximately 11.9 million sq.m. and a total planned GFA of approximately 24.3 million sq.m.

We are based in Hangzhou, Zhejiang Province and have historically focused on geographic markets surrounding Zhejiang Province, Jiangsu Province, Liaoning Province, Jiangxi Province, and Shanghai. We believe that we have a well-balanced project portfolio in these areas, with a strategic spread between first-tier and second-tier cities, and other selected cities that we believe have high-growth potential. Capturing the opportunities presented by the rapidly growing economy, we have strategically planned our property projects in and surrounding Shanghai. With the Shanghai Inner Ring (上海內環) as its core, our projects gradually radiate outwards to the Shanghai Metropolitan Area (上海都市圈) and Shanghai Urban Belt (上海城市帶), thereby creating a project portfolio that integrates our new projects with our existing ones in Shanghai. As of December 31, 2020, we held land reserves with a total GFA of approximately 30 million sq.m., most of which locate within these three key markets.

Our competitive position in the real estate market can be evidenced by the awards and recognition we received, which in turn reinforces our brand name. For instance, since 2016, we were awarded the "China Top 10 Listed Real Estate Company by Comprehensive Strength (滬深上市房地產公司綜合實力TOP10)" for six consecutive years by China Real Estate Top 10 Research Group, an organization constituted by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Real Estate Research Center, and China Index Academy. We have also been named the "Most Valuable listed Real Estate Company of the Year (年度最具價值地產上市公司)" in 2015 by National Business Daily.

Leveraging on our strengths in the property industry, we have taken significant initiatives to invest in the financial and technology companies since as early as 2007. Our investments encompass a wide range of businesses, ranging from banking, insurance, futures and securities institutions, to financial technology companies and other technology platforms. We believe our financial investments provide us with growth potential. As of the date of this offering memorandum, we have made sizable equity investments in various financial institutions, including China CITIC Bank Corporation Limited (中信銀行股份有限公司) (998.HK), China CITIC Bank International Limited (中信銀行(國際)有限公司) ,Bank of Wenzhou Co., Ltd. (溫州銀行股份有限公司), Xiangcai Co., Ltd. (湘財股份有限公司) (600095.SH), Xinhu Futures Co., Ltd. (新湖期貨股份有限公司), and Sunshine Insurance Group Corporation Limited (陽光保險集團股份有限公司). We also have investments in financial technology companies such as Wind Information Co., Ltd. (萬得信息技術股份有限公司), and are a strategic shareholder of a number of other technology companies with advanced technology and market share, such as Zhejiang Bangsun Technology Co., Ltd. (浙江邦盛科技有限公司), Hangzhou Honghua Digital

Technology Co., Ltd. (杭州宏華數碼科技股份有限公司) (688789.SH), Amlogic (Shanghai) Co., Ltd. (晶晨半導體(上海)股份有限公司) (688099.SH) and Hangzhou Hyperchain Technology Co., Ltd. (杭州趣鏈科技有限公司). Furthermore, we will continue to focus our investment efforts on high technology companies to foster adoption of technology in the traditional finance industry and other relevant industries.

We believe our "dual-drivers (雙輪驅動)" business strategy is key to our success. Capturing historic opportunities in the internet era, we have developed a large-scale and quality land bank while building an extended investment portfolio. With our established sizeable finance investments, we benefit from a more stable income source and are able to effectively counter the volatility of our real estate business when compared with other traditional property developers.

Our unique business strategy has contributed to our operating results and business growth. From 2018 to 2020, our total operating revenue amounted to RMB17,227 million, RMB14,810 million and RMB13,792 million, respectively. As of December 31, 2018, 2019 and 2020, our total assets amounted to RMB139,871 million, RMB144,032 million and RMB135,685 million.

Competitive Strengths

We believe that the following strengths are key to our consistent growth and enable us to compete successfully.

Well defined "dual-drivers" strategy — Real Estate and Finance

We have been focusing on our real estate business while making active finance investments over the past years. By taking advantage of historic opportunities in the internet era, we have developed a large-scale and quality land bank while building an extended investment portfolio. As our core business, we will continue to enhance our property development business to leverage on our advantages as a property developer and expedite the unlocking of the project value. As of December 31, 2020, we had 49 residential and commercial projects in various stages of development in the PRC, with a total site area of approximately 11.9 million sq.m. and a total planned GFA of approximately 24.3 million sq.m.

In the meanwhile, we have acquired financial assets of high quality and liquidity to maximize potential equity value and will continue to actively establish an internet finance ecosystem that helps reduce transaction costs in third-party payments and solve information asymmetry problems using big data and credit verification technologies. With our established sizeable finance investments, we benefit from a more stable income source when compared with other traditional property developers. Therefore, we can maintain an unhurried pace for our real estate development and adhere to the highest quality standard with continuous design optimization. Leveraging on our unique financial investments and capital utilization capability, we are also able to effectively counter the volatility of our real estate business and maintain steady growth. Through the joint development of these two segments, we expect to report further growth.

Sufficient land reserves at low cost

Leveraging on our 27 years' experience in the real estate industry, we continue to replenish our land reserves at a reasonable cost to sustain our continued growth. Based on our internal estimations, we held a total planned GFA of approximately 24.3 million sq.m. for property development as of

December 31, 2020, which we believe would be sufficient for our property development for the next five to eight years. As of December 31, 2020, we held a land reserve of property development and coastal land reclamation with a total GFA of approximately 30 million sq.m. Average cost of our land reserves as of December 31, 2020 was approximately RMB1,790.0 per sq.m. (excluding our projects in Shanghai), as calculated by dividing our aggregate land reserves purchase price (exclusive of relocation costs) by our aggregate planned GFA.

Generally, we locate our projects in economically developed cities where we feel confident about the stable market conditions and strong purchasing powers. As a prominent developer based in Zhejiang Province, most of our projects are located in first-tier and second-tier cities in Yangtze River Delta Economic Circle and Bohai Economic Rim.

We have strategically focused on three regional markets in and surrounding Shanghai, namely Shanghai Inner Ring, Shanghai Metropolitan Area and Shanghai Urban Belt. As of December 31, 2020, the total planned GFA of our projects in Shanghai Inner Ring, Shanghai Metropolitan Area and Shanghai Urban Belt amounted to 1,897,882 sq.m., 5,073,954 sq.m. and 10,147,699 sq.m., respectively. Our property projects in first-tier cities are also rich in sale reserves.

We believe our strategically located quality land reserves provide us with an attractive property development pipeline and will be sufficient to support our continued growth in the near future.

Established competitive position in the property market

Our competitive position in the real estate market can be evidenced by the awards and recognition we received, which in turn reinforces our brand name. For instance, since 2016, we were awarded the "China Top 10 Listed Real Estate Company by Comprehensive Strength (滬深上市房地產公司綜合實力TOP10)" for six consecutive years by China Real Estate Top 10 Research Group, an organization constituted by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Real Estate Research Center and China Index Academy. In 2015, we were named the "Most Valuable listed Real Estate Company of the Year (年度最具價值地產上市公司)" by National Business Daily.

In addition, when we develop our projects, we engage well-known international brands in master planning, architecture design, landscape design, interior design, and equipment procurement, in order to ensure the quality of our property projects is in line with the international standards. We believe our adherence to high quality standards help solidify and enhance our position in the existing markets.

High quality finance and technology portfolio

We have accumulated more than 20 years of experience in investing in companies in the financial service companies, taking advantage of the growth of the finance sector in the PRC. In recent years, we have also began expanding our scope of investment to include companies in the financial technology sector, information technology sector and information security sector. We have established a comprehensive finance and technology portfolio encompassing a wide range of businesses, ranging from banking, insurance, futures and securities institutions, to financial technology companies and other technology platforms diversifying our risks to ensure an overall stable return on investments. Our investment portfolio has been our consistent revenue stream in recent years through the collection of dividend payments. For the years ended December 31, 2018, 2019 and 2020, we recorded investment income in the amount of RMB2,490 million, RMB3,644 million and RMB4,609 million, respectively.

Going forward, we plan to further diversify our portfolio and leverage on our liquidity to further enhance our ability to monetize these investments.

We believe our sizeable investment portfolio allows us to play a key role in and take full advantage of local financial reforms. We believe that our investment portfolio is well-diversified, keeps up with the capital market trends and represents great potential.

Systematic financial management and diversified sources of financing leading to declining financing costs

We have established a systematic mechanism covering each important stage of financial management, from project initiation, due diligence, investment operation, to exit management. Our Strategic Committee and Investment Department jointly oversee such financial management mechanism. As of December 31, 2020, we had total liabilities of approximately RMB97,156 million and our debt to assets ratio (calculated by dividing our total liabilities by our total assets) was approximately 71.6%, which we believe was below the industry average.

We have access to various funding channels, thereby increasing our ability to secure sufficient capital on favorable terms. Not only are we experienced in utilizing available resources and obtaining financing through bank loans, and proceeds from trust plans, assets management plans and corporate bonds, we have also strategically entered into partnerships to further diversify our sources of funding and expand distribution channels.

- *Bank loans*. We have long-standing relationships with a number of PRC banks, including but not limited to Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China CITIC Bank, China Minsheng Bank, China Merchants Bank, SPD Bank, China Zheshang Bank, Bank of Shanghai and Huaxia Bank. As of December 31, 2020, we had credit facilities from banks in a total amount of approximately RMB64,482 million, of which approximately RMB15,027 million had not been utilized.

- *Financing agreements with other financial institutions*. We have partnered with many trust companies and asset management companies, including but not limited to China Orient Asset Management, China Great Wall Asset Management Corporation and China Huarong. We are gradually replacing trust financing demanding high interest rates with bank loans or cheaper trust financing.

- *Capital market issuances*. In November 2014, we issued approximately 1.8 billion shares and raised approximately RMB5.4 billion by way of private placement. Further, in November 2015, we privately placed approximately 962 million shares for approximately RMB5.0 billion. In 2017, we issued asset-backed securities in the amount of RMB1.5 billion in the PRC. As of the date of this offering memorandum, we have in issue ten PRC corporate bonds, under which an aggregate principal amount of RMB8.3 billion remains outstanding. Additionally, as of the date of this offering memorandum, we have seven offshore notes outstanding, namely the 2018 Offshore Notes, 2019 March Offshore Notes, the 2019 June Offshore Notes, the 2020 March Offshore Notes, the 2020 April Offshore Bonds, the 2021 Jan Offshore Bonds and the 2021 May Offshore Bonds under which an aggregate amount of US$1,296 million is raised.

- *Joint development arrangements*. Additionally, we from time to time partner with other property developers to jointly develop a property. We had previously cooperated with Greentown China Holdings Limited (綠城中國控股有限公司), CRED Holding Co., Ltd. (中房置業股份有限公司), Sunac Real Estate Group Co., Ltd. (融創房地產集團有限公司), Hangzhou Binjiang Real Estate Group Co., Ltd. (杭州濱江房產集團股份有限公司) and Hangzhou Municipal Real Estate United Development General Co., Ltd. (杭州市房地產聯合開發總公司).

Given our diversified sources of capital, high quality project portfolio in first-tier and second-tier cities, together with the PBOC's policy to cut the benchmark rate, we are able to continuously optimize our debt structure.

Stable and experienced management team

We believe that our success is largely attributable to our stable and experienced management team. Our directors and senior management are well-equipped with the necessary expertise, experience, and cultural fit to manage us and their unparalleled loyalty, leadership and determination contribute to our years of successful development. Throughout the years of operation and management of our various business operations, we have also been able to maintain effective and efficient management and operational control over our key subsidiaries and drive synergies among our operations.

Our management adopts a commercially driven approach to manage our operations and is aptly familiar with principles of modern corporate governance. Under the sound leadership of our management team and leveraging on their long-term perspective, we have successfully completed a number of milestone events over the years, including our listing in June 1999 and the merger with Zhejiang Xinhu Venture Investment Co., Ltd. in September 2009. They have also helped us expand into the finance sector since as early as 2007. For more information, see "Management."

Systematic governance structure and sound internal control

We have instituted an effective and standardized operational structure that conforms to modern corporate governance. This system covers every key aspect of our day-to-day operations, including product design, quality control, cost management and marketing efforts. Apart from our Shareholder Meetings, the Board of Directors and the Board of Supervisors, we have set up various departments at the headquarter level (namely the Office of the Board of Directors, the Administration Department, the Human Resources Department, the Investment Department, the Finance Department, the Capital

Department, the Audit Department, the Design Center, the Project Management Department, the Cost Control Center, the Marketing Department, the Hotel Management Department, the Commercial Department and the Shanghai Property Products Center), each serving a clearly defined set of responsibilities and obligations. Among them, the Design Center, the Project Management Department, the Cost Control Center, the Marketing Department, the Hotel Management Department, the Commercial Management Department, and Shanghai Property Products Center are exclusively dedicated to the management of our property development business. In addition, our Board of Directors has set up four special committees to assist it in making management decisions. See "— Organizational Structure."

We have placed great efforts to building up a sound internal control system. We continue to develop and improve a series of internal control measures according to the relevant PRC laws and regulations combined with our actual situation. Our Audit Department is an office that enjoys great independence from the influence from other executives, departments and offices. It is responsible for the audits and supervision of expansion projects, material procurement, property sales and major investment of ours. Meanwhile, it inspects, evaluates, reports and improves the soundness, rationality and effectiveness of the internal control system. In order to strengthen the management of our subsidiaries, we from time to time appoints senior management personnel, financial officers and the members of the supervisory committee to our wholly-owned subsidiaries. We also have three independent directors who have extensive experience in financial services, economics and business in our seven-person Board of Directors. We believe that our sound internal control procedures serve to ensure operational stability and decrease our risk exposure.

We also implement centralized management for procurement, monetary funds, investment and financing and external guarantees. We implement unified management for external financing. With the goal of meeting capital needs with minimum financing costs and preventing financials risk, we make financing plans based on our project plans and financial needs, and by reference to the government's financial policies and the prevalent market conditions.

Business Strategies

We intend to implement the following business strategies in order to achieve our goal of becoming an integrated and well-balanced enterprise engaged in two core segments of real estate and finance.

Geographically focus on Shanghai and the Yangtze Delta River Economic Circle

Capturing the opportunities presented by its rapidly growing economy, we have strategically planned our property projects in Shanghai and the Yangtze Delta River Economic Circle. Of the total planned GFA of 24,323,560 sq.m and the total unsettled GFA attributable to us of 10,827,473 sq.m of all projects we had as of December 31, 2020, a total planned GFA of 17,119,535 sq.m. and total unsettled GFA attributable to us of 8,385,220 sq.m. were located in and surrounding Shanghai, also referred as the Shanghai Rim Region. With the Shanghai Inner Ring as its core, our projects gradually radiate outwards to the Shanghai Metropolitan Area and Shanghai Urban Belt, thereby creating a project portfolio that integrates our new projects with our existing ones in Shanghai:

We believe the above regional markets present business opportunities due to their sound economic growth rate, constrained land supply and persistent demand from first-time homebuyers and upgraders. At the current stage, we mainly focus on the profitable distribution of our projects and resources across these three regional markets in and surrounding Shanghai. Going forward, we will continue to expand our presence in Shanghai Inner Ring, Shanghai Metropolitan Area and Shanghai Urban Belt, achieve economies of scale in these markets and, eventually, form one larger, integrated market in the Yangtze River Delta Economic Circle. We also carry out projects in Tianjin, Binzhou, Shenyang and Taian as part of our plan to strengthen our presence in the Bohai Economic Rim. To better structure our short-term, medium-term and long-term revenue stream, we will as opportunities arise develop projects in developed regions, such as Shanghai, Jiangsu and Zhejiang, where projects in such regions have had relatively quicker turnover rates in the past.

Leveraging our extensive experience in renovating old urban areas, we believe that we are well positioned to capitalize on developing other renovation projects. We intend to further expand our urbanization comprehensive projects and construction of characteristic towns, and explore the development of housing leasing business. Our renovation projects located in Shanghai have a total saleable GFA of approximately 1.5 million sq.m. We have commenced the sales of -phase III section IV of Xinhu Pearl City, phase II of Cyan International and Hongyundi and the construction of our renovation and urbanization projects in Hongkou and Huangpu will commence soon. We expect to be able to capture a return on our investment in these renovation and urbanization projects in the future.

Continue to accurately position our products and enhance our product quality

We believe that the diversified product portfolio enables us to cater to the preferences of different segments of residential real estate purchasers. Over the years, we have developed and introduced four distinctive product series to the market. They are:

- *International Apartments (Chunxiao) Series (國際公寓(春曉)系列)* represented by our mass-market but delicate products located in urban centers which are marketed towards mainstream urban residents. These products are equipped with innovative, smart, and innovative technologies, and are leading their respective markets in terms of quality. Representative projects under this series include Cyan International (青藍國際) in Shanghai, Wulin International (武林國際) in Hangzhou, Xinhu International (新湖國際) in Lishui and Xinzhong Garden (新中花園) in Jiaxing.

- *Shangri-la Series (香格里拉系列)* represented by our high-end, low-rise and low-density villa products located in areas with premium natural landscapes. These products cater to home upgrade and second-home demands from medium-to-high-end customers. Representative projects under this series include Shangri-la (香格里拉) in Hangzhou, Shangri-la (香格里拉) in Tianjin and Shangri-la (香格里拉) in Lanxi.

- *City State Series (城邦系列)* represented by large-scale residential complexes that renovates the entire neighborhood for the better. They are particularly well received by our customers for their user-friendly features. Representative projects under this series include Pearl City (明珠城) in Suzhou, Xinhu City View (新湖景城) in Quzhou and Chaisang Spring (柴桑春天) in Jiujiang.

- *Regional Development Series (區域開發系列)* are essentially follow-on real property development projects after we had finished the initial coastal land reclamation. They are positioned as large-scale integrated projects located in urbanizing areas that offer a mix of residential, commercial and farison-related properties. They currently include our Wenzhou

Pingyang West Coastal Project and Qidong Yuantuojiao Project. Our Qidong Pearl of the Sea (啟東海上明珠城) project with a total planned GFA of 2,226,502 sq.m. and our Wenzhou Pingyang West Coast (溫州平陽西灣) project with a total planned GFA of 2,887,776 sq.m. are examples of secondary development on lands we acquired through coastal land reclamation.

We intend to continue to integrate our construction techniques, devote our attention to details and enhance our project quality. Capturing the opportunities arising from the national strategy of coastal land reclamation development, we also plan to acquire more high-quality land at low cost through coastal land reclamation to replenish our land reserves and diversify our products mix. Coastal land reclamation is expected to be an important channel of acquiring lands for us in the coming years. We also plan to explore opportunities in comprehensive development projects in the Zhejiang Marine Economy Development Demonstration Zone and the Greater Shanghai Economic Zone.

Continue to grow our property business

We believe that our cutting-edge concepts, execution capabilities, and hard work have contributed to our "Xinhu" brand value. We will continue to grow our property business by carrying out the following strategies:

- We plan to diversify our products mix. We intend to leverage our strong brand name and extensive experience to continue to develop high-quality, traditional residential properties. As part of our expansion strategy, we also intend to selectively acquire and develop more residential complexes, which we believe are able to address the evolving needs of our customers. We also intend to expand into primary development, which we believe help us acquire land at lower costs and enhance our business growth in the long run.

- We intend to maintain a prudent level of land reserves. Leveraging on our 27 years' experience in the property industry and precise reading of the market trends, we will continue to acquire land during troughs of the real estate cycle at reasonable prices.

- We will continue to monitor the prevalent capital market trends, so as to take advantage of various financing tools in a flexible and thorough manner.

Expedite integration of financial resources

Leveraging our diverse industry background and in-depth understanding of the market trends and industry development, we have made sizeable equity investments in various financial service and technology companies since as early as 2007. Our investments cover a variety of businesses, ranging from banking, insurance, futures and securities institutions to technology start-ups. Strategically, we share with the target companies our extensive experience in areas including the capital market, business operations and administration. As such, we seek to achieve mutual growth and are able to cultivate long-term relationships. In the future, we plan to continue diversifying our investments and consolidating our networks and to accelerate the listing process of our invested financial companies.

Furthermore, we plan to focus the development of our financial technology and high technology platform. Our strategy is to strengthen our investment in information technology and information security companies to drive innovation and development and strive to create an integrated financial service capability. We also plan to capitalize from the industrial revolution and innovation era bought on by technology advancement in the PRC through our investment in companies, such as Hangzhou Honghua Digital Technology Co., Ltd. (杭州宏華數碼科技股份有限公司) (688789.SH) and Amlogic (Shanghai) Co., Ltd. (晶晨半導體(上海)股份有限公司) (688099.SH), Hangzhou Hyperchain Technology Co., Ltd. (杭州趣鏈科技有限公司), Zhejiang Bangsun Technology Co., Ltd. (浙江邦盛科技有限公司) and Shanghai Huixin New Medical Technology Co., Ltd. (上海蕙新醫療科技有限公司) in technology-based sectors with high-growth potential. Some of our investee companies have plans to list in the science and innovation board of the stock exchanges, creating potential channel for us to easily realize growth in their market value.

Recent Developments

Asset-backed Securities

In July 2021, we obtained a no-objection letter from the Shanghai Stock Exchange for our proposed issuance of RMB1.05 billion supply chain finance asset-backed securities.

On August 30, 2021, the "Xiangcai — Suzhou Xinhu Square Asset-backed Securities" was established by Xiangcai Co., Ltd. (湘財股份有限公司) (600095.SH) under our engagement, under which asset-backed securities with the aggregate principal amount of RMB1.05 billion were issued, consisting of A level prioritized asset-backed securities with a total principal amount of RMB660 million, B level prioritized asset-backed securities with a total principal amount of RMB340 million and subordinated asset-backed securities with a total principal amount of RMB50 million. The securities will be backed by properties of Suzhou Xinhu Square.

The A level prioritized asset-backed securities bear an expected interest at the rate of 6.50% per annum and are rated "AAA" by Dagong Global Credit Ratings Co., Ltd. (大公國際資信評估有限公司) with a term of 18 years. The B level prioritized asset-backed securities bear an expected interest at the rate of 6.80% per annum and are rated "AA+" by Dagong Global Credit Ratings Co., Ltd. (大公國際資信評估有限公司) with a term of 18 years. The RMB50 million subordinated asset-backed securities are not rated and do not bear any expected interest. For every two years, we may opt to adjust the coupon rate and the bondholders may opt to sell the A level asset-backed securities, B level asset-backed securities and subordinated asset-backed securities back to us.

Bonds Repurchase

On March 14, 2021, we repurchased in total an aggregate principal amount of US$86,300,000 of the 2019 March Offshore Notes, which were subsequently cancelled. Immediately after our repurchase of the 2019 March Offshore Notes, the outstanding principal amount of the 2019 March Offshore Notes was US$188,700,000.

On June 12, 2021, we repurchased an aggregate principal amount of US$64,600,000 of the 2019 June Offshore Notes upon bondholders' request in accordance with the 2019 Indenture, representing approximately 40.38% of the aggregate principal amount of the 2019 June Offshore Notes outstanding. As of the date of this offering memorandum, the repurchased notes have been cancelled and the outstanding principal amount of the 2019 June Offshore Notes is US$95,400,000.

In September 2021, holders of an aggregate principal amount of RMB462,853,000 of the 2019 Xinhu Bonds 01 exercised the option to have their bonds repurchased by us. Accordingly, on September 6, 2021, we completed the repurchase of an aggregate principal amount of RMB462,853,000 of the 2019 Xinhu Bonds 01. The repurchased 2019 Xinhu Bonds 01 have not been cancelled as of the date of this offering memorandum.

On September 13, 2021, we repurchased in total an aggregate principal amount of US$50,000,000 of the 2018 Offshore Notes, which will be subsequently cancelled. As of the date of this offering memorandum, the repurchased notes have not been cancelled. The outstanding principal amount of the 2018 Offshore Notes, immediately after the cancellation, will be US$175,100,000.

PRC Corporate Bonds

Issuance of 2021 Xinhu Bonds 02

On August 10, 2021, we issued by way of public offering a principal amount of RMB1,000,000,000 of domestic corporate bonds for a term of four years (the "2021 Xinhu Bonds 02"). The 2021 Xinhu Bonds 02 bear interest at the rate of 7.75% per annum, payable on 10 August each year. At the end of the second, we may opt to adjust the coupon rate and the bondholders may opt to sell the 2021 Xinhu Bonds 02 back to us. The 2021 Xinhu Bonds 02 are secured by the shares of Xiangcai Co., Ltd. (湘財股份有限公司) (600095.SH) owned by Xinhu Holding Co., Ltd..

Issuance of 2021 Xinhu Bonds 01

On February 9, 2021, we issued by way of public offering a principal amount of RMB1,000,000,000 of domestic corporate bonds for a term of four years (the "2021 Xinhu Bonds 01"). The 2021 Xinhu Bonds 01 bear interest at the rate of 7.6% per annum, payable semi-annually in arrear on 9 February and 9 August each year. At the end of the second and half year, we may opt to adjust the coupon rate and the bondholders may opt to sell the 2021 Xinhu Bonds 01 back to us. The 2021 Xinhu Bonds 01 are secured by the shares of Xiangcai Co., Ltd. (湘財股份有限公司) (600095.SH) owned by Xinhu Holding Co., Ltd..

New Offshore Bank Facilities

Chiyu Term Loan Facility III

On April 21, 2021, Hong Kong Xinao Investment Limited, our wholly owned subsidiary, as the borrower, entered into a maximum amount of HKD150,000,000 term loan facility letter with Chiyu Banking Corporation Limited, as the lender (the "Chiyu Term Loan Facility III"). In connection with the Chiyu Term Loan Facility III, Hong Kong Xinhu Investment Co., Limited entered into a deed of charge over securities to mortgage its shares of China Zheshang Bank Co., Ltd. as security to secure its liabilities in favor of Chiyu Banking Corporation Limited on April 30, 2021. Hong Kong Xinao Investment Limited also entered into a deed of guarantee provided by the Guarantor with a guaranteed amount of HKD150,000,000. As of the date of this offering memorandum, we have utilized in an aggregate amount of HKD150,000,000 under the facility. We used the proceeds to replenish our working capital as well as refinance company's indebtedness. The interest on the facility drawn is charged at 2.92375% per annum.

Chiyu Term Loan Facility II

On February 20, 2021 Hong Kong Xinao Investment Limited, our wholly owned subsidiary, as the borrower, entered into a maximum amount of HKD200,000,000 term loan facility letter with Chiyu Banking Corporation Limited, as the lender (the "Chiyu Term Loan Facility II"). In connection with the Chiyu Term Loan Facility II, Hong Kong Xinhu Investment Co., Limited entered into a deed of charge over securities to mortgage its shares of China Greentown China Holdings Ltd. as security to secure its liabilities in favor of Chiyu Banking Corporation Limited on March 2, 2021. Hong Kong Xinao Investment Limited also entered into a deed of guarantee provided by the Guarantor with a guaranteed amount of HKD200,000,000. As of the date of this offering memorandum, we have utilized in an aggregate amount of HKD200,000,000 under the facility. We used the proceeds to replenish our working capital as well as refinance company's indebtedness. The interest on the facility drawn is charged at 2.97589% per annum.

2020 Profit Distribution

On April 28, 2021, our board of directors approved a profit distribution plan for the year ended December 31, 2019, under which a dividend of RMB0.56 (tax inclusive) per 10 shares will be paid to all shareholders. The aggregate dividend amount to be distributed under the plan is RMB472 million. This profit distribution plan was approved by our shareholders at the 2020 annual general meeting held on June 11, 2021. On August 4, 2021, we paid out the dividends to eligible shareholders.

Publication of 2021 Interim Financial Statements

On August 30, 2021, we released our 2021 Interim Financial Statements on the website of the Shanghai Stock Exchange.

We recorded a substantial increase in operating revenue and operating cost for the six months ended June 30, 2021 as compared to the same period in 2020, which is primarily due to an increase in the revenue and cost we realized for our property development for the six months ended June 30, 2021. We recorded an increase in operating profit for the six months ended June 30, 2021 as compared to the same period in 2020, which is primarily due to the profit we realized for our property development for the six months ended June 30, 2021. Our total assets as of June 30, 2021 decreased as compared to December 31, 2020, which is due to a decrease in cash and bank balance we hold, which results from our repayment to existing indebtedness. Our total indebtedness as of June 30, 2021 decreased as compared to December 31, 2020, and our cash and bank balances as of June 30, 2021 decreased as compared to December 31, 2020, which are primarily due to repayment of a portion of our indebtedness by using a portion of our cash and bank balances.

Our 2021 Interim Financial Statements were prepared in compliance with PRC GAAP. The financial information contained in our 2021 Interim Financial Statements has not been subject to an audit or review, and it does not form part of this offering memorandum and should not be relied upon by potential investors. Such financial information for the six months ended June 30, 2020 should not be taken as an indication of our expected financial condition or results of operations for the full financial year ending December 31, 2021. Our 2021 Interim Financial Statements were subject to, and were prepared in accordance with, the 2020 Revised Financial Instrument Standard. The 2020 Revised Financial Instrument Standard does not require, and we do not prepare, retrospective adjustment of comparative financial statements, but the difference arising from adoption of the 2020 Revised

Financial Instrument Standard on the adopting date shall be retrospectively adjusted into retained earnings or other related items at the beginning of the reporting period. As a result, historical financial information concerning periods before January 1, 2020 may not be directly comparable to the financial information of corresponding period in 2021 (including the 2021 Interim Financial Statements) prepared under the 2020 Revised Financial Instrument Standard.

The 2021 Interim Financial Statements were subject to, and were prepared in accordance with, the revised Accounting Standard for Business Enterprises No. 21 — Lease, as published by the MOF (the "Revised Lease Standard"), which is applicable to us since January 1, 2021. The Revised Financial Instrument Standard does not require, and we do not prepare, retrospective adjustment of historical or comparative financial statements. As a result, historical financial information concerning periods before January 1, 2021 may not be directly comparable to the financial information of corresponding periods in 2021 under the Revised Lease Standard.

Coronavirus Pandemic Outbreak

At the end of December 2019, a novel coronavirus COVID-19 causing pneumonia-like illness emerged and affected parts of China and some other countries. Several cities in China had been under a lockdown and imposed travel restrictions for a certain period in the first quarter of 2020 in compliance with mandatory measures implemented by the PRC government to contain the spread of COVID-19. The World Health Organization declared the COVID-19 to be a global epidemic on March 11, 2020. In compliance with mandatory quarantine measures implemented by the PRC government in an effort to contain the spread of COVID-19, for a certain period in the first quarter of 2020, we had also suspended a substantial portion of our operations, which has had and may continue to have an adverse effect on our business, financial condition, results of operations and prospects. Our operating revenue decreased by 6.9% from RMB14,810 million for the year ended December 31, 2019 to RMB13,792 million for the year ended December 31, 2020. As COVID-19 abated in the PRC, we gradually resumed most of our operations since March 2020. As of the date of this offering memorandum, we have resumed full operations at normal capacity. If the conditions in the PRC continue to improve, we anticipate that the impact of COVID-19 on our overall operating results and financial condition during the current fiscal year may be limited. Given the uncertainty of the outbreak, however, the spread of COVID-19 may be prolonged and worsened, and we may be forced to scale back or even suspend our operations in the affected areas. We will continue to closely monitor the progression of COVID-19, evaluate and proactively assess and respond to its impact on our financial position and operating results. For details, see "Risk Factors — Risks Relating to the PRC — The global economy is facing significant uncertainties and disruptions caused by COVID-19" and "Risk Factors — Risks Relating to the PRC — The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God and occurrence of epidemics."

Awards and Recognitions

Over the years, we have received a number of awards and recognitions, which have helped reinforce our "Xinhu" brand. We have received, among others, the following awards:

2021	We were awarded the "2021 China Top 10 Listed Real Estate Company by Comprehensive Strength (2021滬深上市房地產公司綜合實力TOP10)" by China Real Estate Top 10 Research Group.

2020	We were awarded the "2020 China Top 500 Real Estate Developer (2020中國房地產開發企業500強)" by China Real Estate Association (中國房地產協會), Shanghai Yiju Real Estate Institute (海易居房地產研究院) and China Real Estate Evaluation Centre (中國房地產測評中心).
	We were awarded the "2020 China Top 10 Listed Real Estate Company by Comprehensive Strength (2020滬深上市房地產公司綜合實力TOP10)" by China Real Estate Top 10 Research Group.
2019	Our project, "Xinhu Square" in Ruian, was awarded the "Annual Urban Commercial New Power" (年度城市商業新力量獎項) in 2019 China Shopping Centre and Summit hosted by Winshang (贏商網).
	We were awarded the "2019 China Top 10 Listed Real Estate Company by Comprehensive Strength (2019滬深上市房地產公司綜合實力TOP10)" by China Real Estate Top 10 Research Group.
2018	We were awarded the "2018 China TOP 10 Listed Real Estate Company by Comprehensive Strength (2018滬深上市房地產公司綜合實力TOP10)" by China Real Estate Top 10 Research Group, an organization constituted by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Real Estate Research Center, and China Index Academy.
2017	We were awarded the "2017 China TOP 10 Listed Real Estate Company by Comprehensive Strength (2017滬深上市房地產公司綜合實力TOP10)" by China Real Estate Top 10 Research Group, an organization constituted by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Real Estate Research Center, and China Index Academy.
2016	We were awarded the "2016 China TOP 10 Listed Real Estate Company by Comprehensive Strength (2016滬深上市房地產公司綜合實力TOP10)" by China Real Estate Top 10 Research Group, an organization constituted by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Real Estate Research Center, and China Index Academy.
	One of our residential property projects in Shanghai, namely Xinhu Pearl City (Phase III) (新湖明珠城三期) was awarded "Shanghai Project Construction 'Magnolia' (Quality Project of the City) Award (上海市建設工程"白玉蘭"(市優質工程)獎)."
2015	We were named "The Best 10 Real Estate Brands of the Year (年度十佳品牌房企)" by Leju Holdings Co., Ltd.
	We were named "The Most Valuable Listed Real Estate Company of the Year (年度最具價值地產上市公司)" and "Reputation of Public Companies in China — Public Companies with Best Business Model (中國上市公司口碑榜最佳商業模式上市公司)" by National Business Daily.

2014	We were named "The Most Valuable Listed Real Estate Company of the Year (年度最具價值地產上市公司)" by National Business Daily.
	We were listed among "TOP 20 Most Valuable A-share Real Estate Companies Listed in Shanghai and Shenzhen Stock Exchange (中國房地產價值榜滬深A股TOP20)" by China Business Network.
2013	We were ranked among "2013 China's Top 100 Real Estate Development Company (2013中國房地產開發企業100強)," jointly compiled by China Real Estate Research Association, China Real Estate Industry Association and China Real Estate Evaluation Center.
	We were listed among "2013 Top 10 Real Estate Developers with Best Operating Performance in China (2013中國房地產開發企業經營績效10強)," and "2013 Top 10 Real Estate Developers with Most Extensive Urban Coverage (2013中國房地產開發企業城市覆蓋10強)," jointly compiled by China Real Estate Research Association, China Real Estate Industry Association and China Real Estate Evaluation Center.
2012	We were nominated among "2012 Top 100 Public Real Estate Companies in China (2012中國房地產上市公司百強)," and "2012 Top 50 Public Real Estate Companies in China by Overall Strength (2012房地產上市公司綜合實力五十強)," jointly compiled by China Real Estate Research Association, China Real Estate Industry Association and China Real Estate Evaluation Center.
	We were named "One of the Most Valuable Public Real Estate Companies (最具價值地產上市企業)" by Boao Real Estate Forum.
2010	We were nominated among "2010 Top 50 Public Real Estate Companies in China (2010中國房地產上市公司50強)" compiled by China Real Estate Evaluation Center.
	We were given the "Jinniu Award — One of the Top 100 Public Companies (金牛上市公司百強)" from China Securities Journal.
2009	We were named among "Top 100 Public Companies in China by Market Value Management (中國上市公司市值管理百佳)" by The Economic Observer.
2007	We were named "One of the Most Influential Companies (最具影響力企業)" by Boao Real Estate Forum.

Description of Our Business

Overview

Our business operations primarily involve three business segments, namely property development, commercial trading and coastal land reclamation. For the years ended December 31, 2018, 2019 and 2020, total operating revenue from our business operations amounted to RMB17,227 million, RMB14,810 million and RMB13,792 million, respectively. The table below sets forth the break-downs of our operating revenue from each business segment for the periods indicated:

	Year ended December 31,			
	2018	**2019**	**2020**	**2020**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(US$'000) (unaudited)**
Property development	13,268,338	12,039,685	10,386,111	1,591,741
Commercial trading	2,909,295	2,499,380	3,135,039	480,466
Coastal land reclamation	903,826	64,379	66,841	10,244
Other business(1)	145,656	206,850	204,030	31,269
Total	**17,227,115**	**14,810,295**	**13,792,021**	**2,113,720**

Note:

(1) Our other business primarily includes hotel operation, commercial operation, property leasing and operation of schools.

In the meanwhile, we have taken significant initiatives to invest in the finance and the technology industries since as early as 2007. Our investments encompass a wide range of businesses, ranging from banking, insurance, futures and securities institutions, to technology start-ups.

Property Development

Overview of Our Property Development Business

Property development is our core business in which we have a track record of 27 years. For the years ended December 31, 2018, 2019 and 2020, operating revenue from our property development business was RMB13,268 million, RMB12,040 million and RMB10,386 million, respectively, representing 77.0%, 81.3% and 75.3%, respectively, of our total revenue for the relevant periods.

Our property development business primarily involves the design, construction, marketing, sale and leasing of residential properties and our customers mainly comprise of first-time homebuyers and upgraders. Over the years, we have developed and introduced four distinctive product series to the market, namely International Apartments (Chunxiao) Series, Shangri-la Series, City State Series, and Regional Development Series, each targeting a distinct and sizeable segment of residential real estate purchasers. Despite the rising housing prices, it remains our mission to provide high-quality and affordable properties to our customers and we have thus decided to construct and market a larger percentage of small-to-middle-sized residential apartments with a total area of under 140 sq.m. In 2018, 2019 and 2020, approximately 70% of our newly-developed properties are small-to-middle-sized residential apartments. We plan to continue to enhance our product quality through residential technology integration and tireless attention to details.

We from time to time also engage in the development of commercial properties and old urban area renovation projects, which we believe supplements our main residential property business and optimizes our products mix. As of December 31, 2020, we had one commercial project under construction, two commercial projects completed, three renovation projects under construction and two renovation projects held for future development.

We are based in Hangzhou, Zhejiang Province and have established our presence in various parts of China. Generally, we choose to develop our property projects in economically developed cities where we feel confident about the stable market conditions fueled by strong purchasing powers. We believe we have a well-balanced project portfolio, with a strategic spread between first-tier and second-tier cities, and other selected cities that we believe have high-growth potential. We have increasingly and strategically focused on three regional markets in and surrounding Shanghai, namely Shanghai Inner Ring, Shanghai Metropolitan Area and Shanghai Urban Belt. The table below sets forth the geographic breakdown of our contracted sales as measured by the underlying areas sold for the periods indicated:

	Year ended December 31,		
Region	**2018**	**2019**	**2020**
	(sq.m.)	**(sq.m.)**	**(sq.m.)**
Zhejiang Province	545,703	468,048	688,454
Jiangsu Province	119,859	228,258	134,212
Jiangxi Province	104,178	143,561	40,066
Liaoning Province	115,169	68,740	187,885
Shanghai	24,333	2,984	51,013
Shandong Province	58,223	43,866	17,711
Tianjin	8,901	23,824	49,162
Others	60,172	78,517	110,857
Total	**1,036,538**	**1,057,798**	**1,279,360**

Our Projects

As of December 31, 2020, we had 49 residential and commercial projects in various stages of development in the PRC, with a total site area of approximately 11.9 million sq.m., a total planned GFA of approximately 24.3 million sq.m.. As of the same date, the aggregate GFA that we had commenced construction, completed construction and contracted for sale amounted to approximately 18.3 million sq.m., 13.0 million sq.m. and 11.3 million sq.m., respectively.

Site Area Calculation

The site area information in this offering memorandum is derived on the following basis:

- when we have received the land use rights certificates for a project, the site area information in respect of such project refers to the site area information in such land use rights certificates; and

• before we receive the land use rights certificates, the site area information in respect of such project refers to the site area information in the relevant land grant contract or the relevant government permits related to such project excluding, however, the areas earmarked for public infrastructure, such as roads and community recreation zones.

GFA Calculation

The GFA information in this offering memorandum is derived on the following basis:

• for portions of properties that are committed for sale, the stated GFA contracted for sale is calculated based on the sales contracts relating to such property; GFA may be adjusted based on final examination upon delivery of the property;

• for portions of properties that are completed or under construction, the stated GFA is calculated based on the detailed construction blueprint as approved by the PRC government; and

• for portions of properties that are subject to demolition and resettlement or otherwise under planning, the stated GFA is based on the land grant contract, equity transfer contract and our internal projection.

Total GFA stated in certificates of completion, pre-sale certificates, construction works planning permits, construction land planning permits and government-approved design plans includes underground GFA. Underground GFA refers to basement and other underground spaces, generally used for parking and storage purposes.

The following table sets forth a breakdown of site area, total planned GFA and other key information as of December 31, 2020 of our property development projects in the PRC. The above definitions reflect the basis on which we operate our business and may differ from definitions employed for other purposes or by other developers. We include in this offering memorandum project names which we have used, or intend to use, to market our properties. Some of the names for property developments are subject to approval by relevant authorities and may be subject to change. The recorded data of each project represents the relevant data of such project as a whole and does not reflect the amount of data attributable to us to the extent that our interest in such project is less than 100%.

Project Name	Location	Nature of the Project	Interest Attributable to us (%)	Site Area (sq.m.)	Total Planned GFA (sq.m.)	Aggregate GFA Commenced Construction (sq.m.)	Aggregate GFA Completed Construction (sq.m.)	Aggregate GFA Contracted for Sale (sq.m.)
North Spring (北國之春)	Shenyang	Residential	100	525,339	1,165,185	1,165,185	1,165,185	1,092,708
Xinhu Garden (新湖花園).	Shenyang	Residential	100	54,933	175,840	175,840	175,840	136,301
Xianlin Golden Valley (仙林金谷)	Shenyang	Residential	65	268,162	589,015	482,156	89,673	239,676
Xinhu Bay (新湖灣)	Shenyang	Residential	65	283,038	479,948	135,135	26,458	74,472
Shangri-la (香格里拉)	Tianjin	Residential	100	145,059	134,628	134,628	134,628	100,593
Xinhu Beauty (新湖美麗洲).	Tianjin	Residential	100	69,544	120,205	120,205	120,205	75,864

Project Name	Location	Nature of the Project	Interest Attributable to us (%)	Site Area (sq.m.)	Total Planned GFA (sq.m.)	Aggregate GFA Commenced Construction (sq.m.)	Aggregate GFA Completed Construction (sq.m.)	Aggregate GFA Contracted for Sale (sq.m.)
Yiwu Commercial Mall (義烏商貿城) . . .	Tianjin	Residential, Commercial	100	625,468	915,402	647,254	452,275	179,460
Xinhu Rosary (新湖玫瑰園)	Binzhou	Residential	100	123,801	145,885	145,885	86,495	121,360
Xinhu Green Garden (新湖綠園)	Taian	Residential	100	120,129	191,372	191,372	191,372	189,774
Xianlin Green Valley (仙林翠谷)	Nanjing	Residential	35	637,048	563,709	552,812	539,799	408,285
Pearl City (明珠城)	Suzhou	Residential	100	1,041,089	2,101,054	2,101,054	1,900,264	1,461,744
Incl.: planned for leasing	Suzhou	Commercial	100	44,443	176,352	176,352	176,352	—
Xinhu Pearl of the Sea City (新湖海上明珠城)	Nantong	Residential	50	314,757	663,501	532,257	19,759	115,919
Qiyang Pearl of the Sea City (啟陽海上明珠城)	Nantong	Residential	50	138,810	435,073	63,246	—	—
Qixin Pearl of the Sea City (啟新海上明珠城)	Nantong	Residential	50	555,374	1,127,928	235,090	—	—
Xinhu Pearl City (新湖明珠城)	Shanghai	Residential	63	228,717	900,000	756,428	553,745	542,581
Cyan International (青藍國際)	Shanghai	Residential	65	61,729	338,747	338,747	153,921	113,251
Hongyundi (虹雲邸)	Shanghai	Residential	9.9	23,673	111,257	107,690	—	—
Yalong (亞龍項目)	Shanghai	Residential	50	93,950	430,000	—	—	—
Tianhong (天虹項目)	Shanghai	Residential	100	18,951	117,878	—	—	—
Shangri-la (香格里拉)	Hangzhou	Residential	100	836,971	595,016	588,268	302,555	322,421
Xinhu Green (新湖果嶺)	Hangzhou	Residential	100	360,929	557,475	557,475	557,475	339,327
Golden Childhood (金色童年)	Hangzhou	Residential	100	138,982	221,568	221,568	26,392	22,375
Incl.: planned for leasing	Hangzhou	Commercial	100	35,192	74,808	74,808	26,392	—
Wulin International (武林國際)	Hangzhou	Residential	100	26,256	128,741	128,741	128,741	82,550
Future Xinhu Center (未來新湖中心) . . .	Hangzhou	Commercial	100	22,605	127,771	127,771	—	—
Xinzhong Garden (新中花園)	Jiaxing	Residential	51	191,626	503,835	503,835	503,835	335,025
Xinhu View City (新湖景城)	Quzhou	Residential, Commercial	100	480,507	1,095,671	1,095,671	1,095,671	898,884
Xinhu International (新湖國際)	Lishui	Residential	100	191,050	470,074	470,074	470,074	421,164
Haide Garden (海德花園)	Yueqing	Residential	65	186,967	372,150	372,150	372,150	256,156
Jinxi Garden (金溪花園)	Yueqing	Residential	65	70,864	217,950	120,100	—	—
Xinhu Square (新湖廣場)	Ruian	Residential	95	159,845	643,606	643,606	374,304	294,955
Incl.: planned for leasing	Ruian	Commercial	95	31,888	183,133	183,133	153,992	—
Shangri-la (香格里拉)	Lanxi	Residential	100	319,817	532,549	532,549	319,744	291,246
Yujing International (御景國際)	Zhoushan	Residential	100	105,623	242,563	242,563	242,563	148,161
Shuangxi Chunxiao (雙溪春曉)	Wenling	Residential	100	82,220	199,024	199,024	124,881	141,979
Jiulong Chunxiao (玖瓏春曉)	Wenling	Residential	51	39,437	138,142	138,142	—	95,498
Xiwan Chunxiao (曦灣春曉)	Pingyang	Residential	100	410,74	1,253,843	83,629	—	—
Chaisang Spring (柴桑春天)	Jiujiang	Residential	50	635,400	1,072,461	1,072,461	1,072,461	998,995
Lushan International (廬山國際)	Jiujiang	Residential	100	406,935	987,720	987,720	987,720	702,517
Bashan Chunxiao (巴山春曉)	Enshi	Residential	48	98,702	454,504	454,504	170,917	243,926
Others		Residential , Commercial		1,792,644	3,802,270	1,854,828	667,963	874,865
Total				**11,887,665**	**24,323,560**	**18,279,663**	**13,027,065**	**11,322,032**

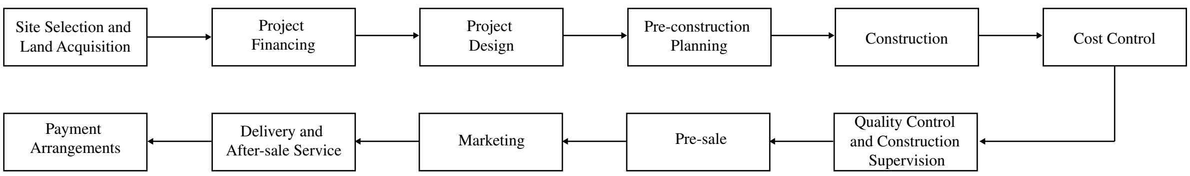
Our Land Reserves

Leveraging on our 27 years' experience in the real estate industry, we are able to replenish our land reserves at strategic timings and thus maintain a prudent level of land reserves. Based on our internal estimations, we held a total planned GFA of approximately 24.3 million sq.m. for property development as of December 31, 2020, which we believe would be sufficient for our property development for the next five to eight years. As of December 31, 2020, the average cost of our total land reserves was approximately RMB3,167.9 per sq.m. and the average cost of our land reserves (excluding our projects in Shanghai) was approximately RMB1,790.0 per sq.m. as calculated by dividing our aggregate land reserves purchase price (exclusive of relocation costs) by our aggregate planned GFA.

We have increasingly and strategically focused on three regional markets in and surrounding Shanghai, namely Shanghai Inner Ring, Shanghai Metropolitan Area and Shanghai Urban Belt. We believe these areas present business opportunities due to their sound economic growth rate, constrained land supply and persistent demand from first-time homebuyers and upgraders.

Project Development Process

In developing a project, we follow a systematic and standardized process of planning and execution while seeking to maintain a high degree of flexibility in order to accommodate new developments in the fast-evolving business and regulatory environment of China's property market. Although each project development is unique and is designed to cater to the preferences of specific target markets, the diagram together with the description below summarizes the major stages of our property development[1].



Note:

(1) The required time for each property development stage may vary among projects depending on the geographical location and the size of the projects. The sequence of specific planning and execution activities may also vary among projects due to the requirement of local laws and regulations.

Site Selection and Land Acquisition

Site Selection

We believe site selection and market evaluation are two major determining factors in the success of our property developments. Therefore, we have devoted a substantial amount of resources to site selection and market evaluation. Prior to procuring a parcel of land, we will collect all relevant information regarding the potential acquisition opportunity and conduct preliminary feasibility studies and market research to evaluate the potential risk and return of the investment, potential demand for a property development on such site, preferences of the target customer groups and potential competition from other property developers in the vicinity. If necessary, we may also engage external property consultants to conduct further market research and feasibility studies with respect to the chosen site. We will proceed with the acquisition if we conclude from our evaluation procedures that a particular site has good development potential and an acceptable risk profile. All these pre-purchase measures help us acquire land prudently and develop our projects with a clear market positioning from the beginning.

We generally consider the following criteria, among others, when deciding whether to pursue a site at a particular time:

- the prevailing macroeconomic conditions and governmental policies of the city in which the site is located;
- the potential of the local property market in which the site is located;
- the geographic location, project scale, accessibility to transportation, environment, supporting infrastructure and public facilities of the site;
- the supply and demand and other market conditions of surrounding markets; and
- the projected cash flow arrangement, costs, pricing and return on investment in respect of the project.

With respect to specific locations, we prefer areas close to natural landscapes of rivers, lakes and seas, as we believe are most well received in the market.

Land Acquisition

We use and plan to use a variety of channels to acquire land interests, which include:

- acquiring from governments through public tenders, auctions and listing-for-sale;
- purchasing from existing non-governmental land-interest holders pursuant to land transfer agreements;
- establishing joint ventures with companies which have acquired or are well-positioned to acquire interests in land or acquiring equity interests in other companies engaged in property development; and
- investing in or taking over under-valued companies which have acquired interests in land.

The PRC Rules regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (《招標拍賣掛牌出讓國有土地使用權規定》) issued by the MLR provide that, from July 1, 2002, state-owned land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the PRC government only through public tender, auction or listing-for-sale. When land use rights are granted by way of a tender, an evaluation committee consisting of no fewer than five members (including a representative of the grantor and other experts) evaluates and selects from the tenders that have been submitted. When deciding to whom to grant land use rights, the relevant authorities consider not only the tender prices, but also the credit history and qualifications of the tenderers and their tender proposal. Where land use rights are granted by way of an auction, a public auction is held by the relevant local land bureau and the land use rights are granted to the highest bidder. We believe these measures should result in a more transparent land grant process, which should enable developers to compete more effectively. Under current regulations, original grantees of land use rights are typically allowed to sell, assign or transfer the land use rights granted to them in secondary markets, provided that: (i) the assignment price has been fully paid in accordance with the assignment contract and a land use rights certificate has been obtained; and (ii) development has been carried out according to the assignment contract. If the land use rights are obtained by way of allocation, such land is to be transferred through public tender, auction or listing-for-sale. In addition to acquiring land through government-organized tender, auction or listing-for-sale, we may also obtain land use rights in the secondary markets.

Under certain circumstances, our land acquisitions in the secondary market may take the form of transfer from or cooperation with third parties who hold the land use rights. In relation to the transfer arrangement, we typically provide a security deposit to the seller or prepay a certain portion of the purchase price for the land transfer. The amount of such security deposit or prepayment is negotiated between us and the seller, and we may provide deposits or prepayments in advance of each stage of completion of the transfer of the land use rights. Commonly, such prepayments and deposits have ranged from between 10% and 20% of the purchase price for the land. We usually pay the purchase price of the land by instalments. We typically make full payment of the purchase price after the seller delivers or assists us to obtain the land use rights certificate under our name. With respect to the cooperative arrangement, we from time to time partner with other property developers, who, in some cases, had acquired the land use rights, to jointly develop a property. We previously cooperated with Greentown China Holdings Limited (綠城中國控股有限公司), Sunac Real Estate Group Co., Ltd. (融創房地產集團有限公司), CRED Holding Co., Ltd. (中房置業股份有限公司), Hangzhou Binjiang Real Estate Group Co., Ltd. (杭州濱江房產集團股份有限公司) and Hangzhou Municipal Real Estate United Development General Co., Ltd. (杭州市房地產聯合開發總公司).

We may also invest in or take over under-valued companies that hold the land use right. For instance, as part of our plan to focus on regional markets in and surrounding Shanghai, we acquired three renovation and resettlement projects in 2015 and 2016, by purchasing the shares of the companies that held the land use right.

Project Financing

Our Capital Department pays close attention to the capital markets and endeavours to diversify our sources of funding. Based on its analysis and understanding of the prevalent financial market, it prepares the annual financing plans for the senior management's deliberation and the Board of Directors' approval. As of December 31, 2020, our primary sources of funding consisted of our self-retained funds and proceeds from pre-sale of our properties, corporate bonds, bank loans, asset-backed securities, real estate investment trusts, financing from asset management companies and disposal of assets.

In line with industry practice, we use proceeds from the pre-sale of our properties to fund part of the construction costs of the relevant projects and to settle the bank loans for projects sold at the pre-sale stage.

Project Design

Our Design Center works closely with our project managers as well as external designers and architects in master planning, architectural design, landscape design and interior design. Our senior management is actively involved in the entire process, especially in the master planning and architectural design of our projects. Planning and design of our projects typically involve the following major steps:

- Concept design — evaluating the characteristics of the site and determining the theme to be applied to the project.

- Product design — analyzing and determining the appropriate infrastructure required to materialize the project theme, including the type of residential property, ancillary facilities and landscaping.

- Construction blueprint design — determining the steps of overall construction and interior design, amount of construction materials and equipment required.

We may also work with selected third party architectural and interior design institutions. We select external design firms by taking into consideration various factors such as technical abilities, reputation, track record in developing similar projects and service standards. Many of our partners enjoy prominent reputation internationally.

Pre-construction Planning

Regulatory Approvals

According to PRC regulations, once we have obtained the interests in land for the development of a project, we must obtain various government approvals in order to commence the planning and construction of the properties. In particular, we have to apply for and obtain the following permits before construction may commence:

- Construction land planning permit, which allows a developer to conduct the survey, planning and design of a parcel of land;

- Construction works planning permit, which allows a developer to perform the overall planning and design of a project and to apply for a construction permit; and

- Construction engineering commencement permit, which is required for the commencement of construction.

Procurement

We centrally procure certain supplies in bulk for substantially all of our projects, including primarily equipment and construction materials such as elevators, stone, aluminium doors and windows, air conditioning, electrical and mechanical equipment, and other decoration materials. Our group headquarter is responsible for the centralized procurement of these supplies through the process of public tenders. It typically solicits price quotes from a number of well qualified suppliers and selects a shortlist of suppliers meeting our requirements after multiple rounds of discussions and bid revisions. It will then select the winning bidder based on the selection criteria set forth in the request-for-tender document. We believe that our centralized procurement procedures enable us to benefit from economies of scale as well as stronger bargaining power, thereby lowering our costs and delivering better value to our customers.

Our construction contractors are generally responsible for procuring ancillary construction materials themselves.

Construction

We contract out our construction work to independent construction companies through a statutory tender process. We typically set up tender teams who are responsible for selecting our construction contractors. Typically, more than three construction contractors are invited to participate in the tender process. When selecting contractors, factors which are taken into account include the reputation of the contractors, track records in similar projects, creditworthiness, technical capabilities, proposed construction blueprint and price. These construction companies carry out various types of work, including foundation digging, construction, equipment installation, internal decoration and various engineering work. The quality and timeliness of the construction is usually warranted by contract. In the event of delay or poor workmanship, we may require the construction contractor to rectify the defect or pay us a penalty.

The construction contracts we enter into with construction companies typically contain warranties with respect to quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations relating to the quality of construction as well as our own standards and specifications. The contractors are also required to comply with our quality control measures, such as appointment of on-site project representatives to oversee the progress, quality and safety of the construction, pre-examination of construction materials before they are used in the project and on-site inspection. We also appoint an independent external project management company to supervise our project construction to further ensure the quality and integrity of our work. Our construction contracts generally provide for progressive payments according to milestones reached, until approximately 95% of the total contract sum is paid. We typically withhold 5% of the contract sum for eight years from our general contractors, five years from the curtail wall construction companies, or one to two years in other cases after completion of the construction to give additional quality assurance. In the event of a delay in construction or unsatisfactory workmanship, we may require the construction companies to rectify the defects at their expense or pay us compensation.

Cost Control

We have a Cost Control Center that is specifically dedicated to overseeing the overall costs of each of our property projects. As the centralized supervisory body, it provides cost-control guidelines to our development subsidiaries in the following ways:

- review and comment on the construction sub-contract agreements and supply and purchase agreements submitted by our development subsidiaries;

- participate in the auditing procedures after completion of a specific project;

- share information relating to various suppliers and products that we deal with;
- manage our relations with our major suppliers and replace under-performing suppliers based on market principles; and
- draft and review our various boilerplate contracts.

Quality Control and Construction Supervision

We place a strong emphasis on quality control and ensure that our properties and services comply with relevant rules and regulations relating to quality and safety and meet market standards. Our Project Management Department is responsible for quality control and construction supervision of all our projects. We believe we are exposed to limited quality risks as we typically contract with reputable design and construction companies and procure materials from highly regarded suppliers to ensure the quality of subcontracted work.

We maintain strict and fully documented guidelines in respect of all procedures involved in the construction process and external contractors are required to adhere to the guidelines and report any exceptions. Our Project Management Department has established stringent internal control guidelines which apply to all aspects of our property projects. For example, substantial materials entering the construction process must comply with our specifications and requirements and go through the procedures of submission, sampling and testing before they are used in our projects.

During construction, each phase of work must undergo a stringent process of inspection. The construction companies are required to ensure that the construction work satisfies construction specifications and guidelines laid down by relevant authorities before they are submitted for inspection and examination by our project management teams. The Project Management Department will also summarise and circulate on a regular basis quality control reports under which specific quality issues and improvement advice are identified. We may also engage external quality supervisory companies to conduct quality and safety control checks on construction and workmanship on our sites.

Pre-sale

We typically conduct pre-sales of our properties prior to the completion of a project or a phase of the project, subject to satisfaction of certain requirements set forth in laws and regulations governing the pre-sale of properties. Under the Law of the Administration of Urban Property of the PRC (《中華人民共和國城市房地產管理法》) and the Administrative Measures Governing the Pre-sale of Urban Property (《城市商品房預售管理辦法》) as amended in 2001 and 2004, we must meet the following conditions prior to commencing any pre-sales of a given property development:

- the land grant fee has been fully paid and the relevant land use right certificates have been obtained;
- the relevant permits required for the planning and construction of the property have been obtained;
- the funds contributed to the development of the project must reach 25% or above of the total amount to be invested in the project;

- the expected completion date and delivery date of the construction work have been ascertained;

- the pre-sale registration has been completed; and

- the pre-sale permits must have been obtained from the relevant local government authorities.

Under PRC law, the proceeds from the pre-sales of our properties must be deposited in escrow accounts. Before the completion of the pre-sold properties, the monies deposited in these escrow accounts may only be used to purchase construction materials and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities.

Marketing

Upon pricing of our property products, our Marketing Department is responsible for executing a range of sales and marketing activities for the relevant projects. In general, we will determine the prices based on the competitive landscape and other relevant market factors, with the goal of achieving our profit targets while maintaining a balanced cash flow position. We also strive to build up the presence and recognition of our projects and our "Xinhu" brand before the launching of pre-sales or sales. Based on our understanding of our target customers, who mainly consist of first-time homebuyers and upgraders, we perform a range of sales and marketing activities through various channels to maintain our relationships with existing customers and to reach potential purchasers. We advertise on various media including newspapers, magazines, the Internet, billboards and other outdoor media.

We highly value the capability as well as the energy and commitment of our sales force. We conduct training sessions on market conditions, sales techniques, knowledge of the property market, among others topics, for our staff from time to time and also conduct specific training for each project prior to the commencement of its pre-sales. We, through our subsidiaries, offer performance-based remuneration packages for our sales force in order to create incentives for them to achieve our sales goals.

Delivery and After-sale Service

We endeavour to deliver our products to our customers on a timely basis. We closely monitor the progress of construction of our property projects and conduct pre-delivery property inspections in an effort to ensure timely delivery. The timetable for delivery is set forth in the purchase agreements entered into with our purchasers of pre-sale properties. Once we have performed various inspections and obtained the certificate of completion, we will notify our purchasers concerning the delivery. The purchase agreements in general contain liquidated damages clauses that set forth the amount of damages payable by the relevant group company or project company typically for certain level of delay. See "Risk Factors — Risks Relating to Our Business — We may not be able to complete our property development projects on time or at all."

We offer multiple communication channels to our customers to provide their feedback and complaints about our products or services. We also cooperate with property management companies that manage our properties to handle customer complaints.

Payment Arrangements

Purchasers of our residential properties, including those purchasing pre-sale properties, may arrange for mortgage loans with banks. We typically require purchasers of our properties to pay a deposit upon signing of a preliminary sale and purchase agreement. If the purchasers later decide not to enter into a formal sale and purchase agreement, they forfeit such deposit. Upon executing purchase contracts, purchasers are typically required to pay not less than 30% of the total purchase price of the property. If purchasers choose to make a lump-sum payment, the remaining purchase price balance is typically required to be paid no later than one month after the execution of the purchase contracts. Others may choose to fund their purchases by mortgage loans provided by banks, subject to current PRC laws and regulations. These purchasers are typically required to pay the remaining balance of that portion of the purchase price that is not covered by the mortgage loans prior to the disbursement of the mortgage loans by mortgagee banks. We typically receive the mortgage payments from mortgagee banks within approximately 60 days of the execution of the purchase contracts. The payment terms of sales and pre-sales of properties are substantially similar.

In accordance with industry practice, we provide guarantees to banks with respect to the mortgage loans offered to purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the mortgagee banks. In line with industry practice, we do not conduct independent credit checks on purchasers of our properties, but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2018, 2019 and 2020, our outstanding guarantees over the mortgage loans of purchasers of our properties amounted to approximately RMB8,407 million, RMB8,595 million and RMB6,977 million, respectively. We have historically experienced a low rate of default on mortgage loans guaranteed by us and such defaults have not had a material adverse effect on our financial condition or results of operations. See "Risk Factors — Risks Relating to Our Business — We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee banks if our purchasers default on their mortgage payments."

Investment Property

In the process of developing a property, we may retain the retail and office units and parking spaces of the properties for lease and for our own use, while offering the remaining properties for sale. Property leasing offers stable and recurring rental revenue but requires longer investment periods. On the other hand, sale of properties allows for quick cash turnaround but is more exposed to fluctuations in property price. As a result, in developing each property, we try to achieve the optimal ratio between investment properties and properties for sale in order to maintain balanced cash flows. As a basic principle, this ratio is set primarily at a level that allows us to first recover our capital expenditures from property sales within the shortest period of time, and then to maximize rental revenue from property leasing.

Each project is considered and assessed on a case-by-case basis. We consider various financial and market parameters relating to our properties, such as total construction costs and payment schedule, average selling price, prevailing rent level and marketability of properties. Our operating results of commercial properties also depend heavily upon our tenancy and property management capabilities. We intend to regularly gather feedback from tenants and customers and adjust our tenants' portfolio and operation accordingly.

Our rental revenue contributed by our investment properties amounted to RMB51.3 million, RMB80.0 million and RMB91.1 million for the years ended December 31, 2018, 2019 and 2020, respectively. We believe that revenue from our investment properties help reduce fluctuations in our property sales and prices. Nonetheless, as some of our retail units are located in large communities or locations with high-growth potential, we may choose to sell these properties when we believe that the sales would generate a better return on investment.

Commercial Trading

Our commercial trading business has experienced a rapid transformation since 2010. As a result of the general slow-down of the global economy, a declining international demand and over-heated competition, we have shifted our focus from the international market to the domestic market. Subsequently, revenue from our commercial trading business has picked up steadily. For the years ended December 31, 2018, 2019 and 2020, operating revenue from our commercial trading business was RMB2,909 million, RMB2,499 million and RMB3,135 million, respectively, representing 16.9%, 16.9% and 22.7%, respectively, of our total operating revenue. Given the nature of the commercial trading business, however, we also incurred substantial expenses in the relevant periods. In general, a lower percentage of our gross profits is generated from our commercial trading business.

Our commercial trading business mainly adopts the traditional intermediary model, under which we act as the intermediary between the supplier and the customer. We normally procure the particular category and amount of products upon receiving an order from our downstream customers, so that we mitigate our risk exposure. Prices are generally market-driven and determined based on arm-length negotiation.

We mainly engage in trading three categories of products, namely precious metals (trading of which was temporarily terminated in 2019), nonferrous metal and petrochemicals. By virtue of nature of the products we trade our commercial trading business is not subject to substantial seasonal fluctuations. The table below sets forth a breakdown of our trading revenue by each category for the periods indicated:

	Year ended December 31,				**Year ended December 31,**	
	2018		**2019**		**2020**	
	Amount (RMB'000)	**% of total**	**Amount (RMB'000)**	**% of total**	**Amount (RMB'000)**	**% of total**
Precious metals*	817,153	28.1	—	—	603,798	19.3
Nonferrous metal	1,813,665	62.3	2,349,328	94.0	2,437,404	77.7
Petrochemicals	250,217	8.6	147,058	5.9	93,830	3.0
Others	28,261	1.0	2,994	0.1	7	0.0
Total	**2,909,295**	**100.0**	**2,499,380**	**100.0**	**3,135,039**	**100.0**

Note:

* We temporarily ceased to trade precious metals in 2019.

Precious Metals

We had an established track record in gold-related trading since 2004. Typically, we procured gold based on our analysis of the market, held such gold and sold it when there was an appreciation. All our gold-related transactions took place through the Shanghai Gold Exchange, which is the only national gold exchange in the PRC. We temporarily terminated trading of precious metals in 2019.

Nonferrous Metal

We have a long-lasting and close relationship with our nonferrous metal customers. Typically, we make payments before delivery from our suppliers, and receive payments after delivery to our customers, which may be subject to quality inspection by our customers.

Petrochemicals

We commenced trading petrochemicals in November 2012. Typically, we procure varieties of petrochemicals from relevant trading companies located in or near Shanghai and sell such products to manufacturer customers located in or near Zhejiang Province.

Coastal Land Reclamation

Tapping into early stages of property development by participating in primary development projects, we reached agreements with local governments in coastal land reclamation projects to acquire land at lower costs. Coastal land reclamation involves turning coastal areas into land and embarking on the comprehensive development of such reclaimed land. Coastal land reclamation can support agricultural and aquacultural businesses in the region, and further provide local towns, ports, and industries with land for development. China enjoys rich resources for coastal land reclamation as it is geographically adjacent to the Bohai Sea, Yellow Sea, East China Sea, South China Sea. The coastal line runs from Yalu River mouth in the north to Beilun River mouth in the south with coastline of 18,000 km which provides rich and growing coastal land resources for development.

Currently, we undertake two coastal land reclamation projects, namely Wenzhou Pingyang West Coastal Project (溫州平陽西灣項目) in which we have an 80% interest and Qidong Yuantuojiao Project (啟東圓陀角項目) in which we own the 100% interest. Our customers are local governments and we are invariably engaged as the general contractor of the projects. Our coastal land reclamation business is generally carried out in three steps, namely (i) entering into a coastal land reclamation contract with the relevant local government and/or acquire the tideland use rights, (ii) carrying out coastal land reclamation, and (iii) receiving the development fees from the government, after passing its quality inspection and, if applicable, returning the relevant tideland use rights. Our coastal land reclamation business is subject to various permits and certificates, including but not limited to the project permit, the environmental protection permit, the coastal land reclamation certificate and the tideland use rights certificate.

For the years ended December 31, 2018, 2019 and 2020, operating revenue from our coastal land reclamation business was RMB904 million, RMB64 million and RMB67 million, respectively, representing 5.2%, 0.4% and 0.5%, respectively, of our total operating revenue for the relevant periods.

Other Business Operations

Our other business operations include property leasing, and operation of schools. For the years ended December 31, 2018, 2019 and 2020, operating revenue from our other business was RMB146 million, RMB207 million and RMB204 million, respectively, representing 0.8%, 1.4% and 1.5%, respectively, of our total operating revenue.

Other than our other business operations described above, we also have other business which primarily includes leasing of commercial properties ancillary to our residential property projects.

Our Investments

Leveraging on our strengths in the property industry, we have taken significant initiatives to invest in the financial and technology industries since as early as 2007. Our investments encompass a wide range of businesses, ranging from banking, insurance, futures and securities institutions, to financial technology companies and other technology platforms. We believe our financial investments provide us with growth potential. As of the date of this offering memorandum, we have made sizable equity investments in various financial institutions, including China CITIC Bank Corporation Limited (中信銀行股份有限公司) (998.HK), China CITIC Bank International Limited (中信銀行(國際)有限公司), Bank of Wenzhou Co., Ltd. (溫州銀行股份有限公司), Xiangcai Co., Ltd. (湘財股份有限公司) (600095.SH), Xinhu Futures Co., Ltd. (新湖期貨股份有限公司), Sunshine Insurance Group Corporation Limited (陽光保險集團股份有限公司) and Asia Pacific Exchange Pte. Ltd.. We also have investments in financial technology companies such as 51 Credit Card Inc. (2051.HK) and Wind Information Co., Ltd. (萬得信息技術股份有限公司) and are a strategic shareholder of a number of other technology companies with advanced technology and market share, such as Zhejiang Bangsun Technology Co., Ltd. (浙江邦盛科技有限公司), Hangzhou Honghua Digital Technology Co., Ltd. (杭州宏華數碼科技股份有限公司) (688789.SH), Amlogic (Shanghai) Co., Ltd. (晶晨半導體(上海)股份有限公司) (688099.SH) and Hangzhou Hyperchain Technology Co., Ltd. (杭州趣鏈科技有限公司). Furthermore, we will continue to focus our investment efforts on high technology companies to foster adoption of technology in the traditional finance industry and other relevant industries.

The table below sets forth certain information relating to part of our investment portfolio in the finance segment as of the date of this offering memorandum.

Name of the company	Segment	Equity ownership as of the date of this offering memorandum (%)
Bank of Wenzhou Co., Ltd. (溫州銀行股份有限公司)	Bank	8.6%
China CITIC Bank Corporation Limited (998.HK) (中信銀行股份有限公司)	Bank	5.0%
China CITIC Bank International Limited (中信銀行(國際)有限公司)	Bank	6.0%
Xiangcai Co., Ltd. (湘財股份有限公司)	Securities	2.8%
Xinhu Futures Co., Ltd. (新湖期貨股份有限公司)	Futures	29.7%
Sunshine Insurance Group Corporation Limited (陽光保險集團股份有限公司)	Insurance	4.1%
Asia Pacific Exchange Pte. Ltd.	Exchange	20.0%

The table below sets forth certain information relating to part of our investment portfolio in the technology segment as of the date of this offering memorandum.

Name of the company	Segment	Equity interest held as of the date of this offering memorandum (%)
51 Credit Card Inc. (2051.HK)	Credit cards management	24.1%
Wind Information Co., Ltd. (萬得信息技術股份有限公司)	Financial data	5.7%
Zhejiang Bangsun Technology Co., Ltd. (浙江邦盛科技有限公司)	Big data real-time intelligent processing	13.7%
Hangzhou Hyperchain Technology Co., Ltd. (杭州趣鏈科技有限公司)	Blockchain	45.6%
Allcitygo Network Technology Co., Ltd. (通卡聯城網絡科技有限公司)	Public transportation internet	21.9%
Hangzhou Yunyi Internet Technology Co., Ltd. (杭州雲毅網路科技有限公司)	Innovation IT platform and service	4.2%
Harmony Cloud Technology	Cloud computing	10.0%
Shanghai Qumei Information Technology Co., Ltd. (上海趣美信息技術有限公司)	Investment fund	19.0%
Hangzhou Yunqi Venture Capital Equity Investment Partnership (Limited Partnership) (杭州雲棲創投股權投資合夥企業(有限合夥))	Ecological Fund for Yunxi Town	5.8%
Shanghai E-Money Software Technology Co., Ltd. (上海益盟軟件技術股份有限公司)	Financial technology	0.3%
Amlogic (Shanghai) Co., Ltd. (晶晨半導體(上海)股份有限公司)(1)	Semiconductor manufacturing	1.3%
360 Security Technology Co. Ltd. (三六零安全科技股份有限公司)(2)	IT security products and services	0.4%
Shenzhen IntelliFusion Technology Co., Ltd. (深圳雲天勵飛技術有限公司)	Artificial intelligence	0.7%
Hangzhou EasyXR Advanced Technology Co., Ltd (杭州易現先進科技有限公司)	Artificial intelligence	7.3%
Hangzhou Honghua Digital Technology Co., Ltd. (杭州宏華數碼科技股份有限公司)(3)	Digital printing technology solutions	18.8%
Qingdao Jingquexinyuan Investment Partnership (LLP) (青島精確芯元投資合夥企業(有限合夥))	Investment fund	52.2%
Golden Brick Silk Road (Yinchuan) Equity Investment Partnership (金磚絲路(銀川)股權投資合夥企業)	Investment fund	14.4%
Shanghai Huixin New Medical Technology Co., Ltd. (上海蕙新醫療科技有限公司)	Innovative medical technology	30.4%
Hangzhou Yibaide Microelectronics Co., Ltd. (杭州易百德微電子有限公司)	Semi conductor design	30.0%
Zhejiang Juchuang Artificial Intelligence Co., Ltd. (浙江聚創智能科技有限公司)	Artificial intelligence	29.5%

Notes:

(1) We invested in Amlogic (Shanghai) Co., Ltd. (晶晨半導體(上海)股份有限公司) through our investment in Qingdao Jingquexinyuan Investment Partnership (LLP) (青島精確芯元投資合夥企業(有限合夥)), an investment fund which we held 52.2% of its equity interests as of the date of this offering memorandum. Amlogic (Shanghai) Co., Ltd. (晶晨半導體(上海)股份有限公司) became listed on the science and innovation board of the Shanghai Stock Exchange in August 2019 (688099.SH).

(2) We invested in 360 Security Technology Co. Ltd. (三六零安全科技股份有限公司) (601360.SH) through our investment in Golden Brick Silk Road (Yinchuan) Equity Investment Partnership (金磚絲路(銀川)股權投資合夥企業), an investment fund which we held 14.43% of its equity interests as of the date of this offering memorandum.

(3) Hangzhou Honghua Digital Technology Co., Ltd. (杭州宏華數碼科技股份有限公司) became listed on the science and innovation board of the Shanghai Stock Exchange in July 2021 (688789.SH).

Major Suppliers and Customers

Our suppliers primarily include construction contractors, building material suppliers and suppliers relating to our trading business. Our five largest suppliers accounted for approximately 41.1%, 32.9% and 36.1% of our total purchases for the years ended December 31, 2018, 2019 and 2020, respectively. Our five largest customers accounted for approximately 19.1%, 16.1%, 19.3% of our total sales for the years ended December 31, 2018, 2019 and 2020, respectively. None of our directors, their associates or any shareholder (which, to the knowledge of our directors, owns more than 5% of our share capital) has any interest in any of our five largest suppliers or customers for relevant periods.

Leased Properties

Most of the office buildings that the members of our Group occupy are our own properties. In order to facilitate our business across the PRC, we have leased a number of our properties in different cities for our subsidiaries of approximately 17,355 sq.m. as of the date of this offering memorandum.

Research and Development

Historically, we had devoted considerable resources into developing advanced technologies, in order to facilitate our business expansions in the finance field, especially relating to futures trading undertook by Xinhu Futures prior to December 2017. We currently do not expect to incur substantial research and development ("R&D") costs in the future after the completion of our transfer of 62% of our shares in Xinhu Futures Co., Ltd., which incurred most of the R&D expenses, to the Xinhu Group in 2017, for internal reorganization purposes. For the years ended December 31, 2018, 2019 and 2020, we incurred R&D costs of approximately nil, nil and nil, respectively.

Competition

We believe that the property market in the PRC is highly fragmented and that there is no single dominant market player. Competition is primarily based on factors such as location, facilities and supporting infrastructure, services and pricing. Our existing and potential competitors include major domestic developers and, to a lesser extent, foreign developers primarily from Asia, including several leading developers from Hong Kong. Many of our competitors have greater financial resources, marketing capabilities and brand recognition than us. In addition, some local companies have extensive local knowledge and business relationships in the relevant local markets, while international companies are gaining increasing market share in the PRC. Intensified competition between property developers may result in increased costs in order to acquire land, over-supply of properties and a slowdown in the approval process for new property developments by the relevant government authorities. For our commercial trading business, some of our competitors are large-scaled trading companies with greater financial and marketing resources and geographical reach. We believe, however, that such risks are mitigated by virtue of our stable relationships we maintain with our major customers.

Intellectual Property Rights

Our intellectual property rights primarily consist of patents, trademarks and domain names that we use in our operations. We rely on a combination of trademarks and domain name registrations to establish and protect our brand name, logos, marketing designs and domain names. We use registered trademarks as the names and logos for business operations and development. These registered trademarks have been widely recognized by the public as being synonymous with our business. We also use registered domain names to promote our projects and enhance public awareness of our business.

As of December 31, 2020, we and our subsidiaries had registered more than 131 trademarks, including "新湖中宝" and "中宝" under different business operations including but not limited to our property development business, commercial trading business and Internet finance business. We have also registered a domain name under 600208.net. As of the date of this offering memorandum, we are not aware of any infringement (i) by us of any intellectual property rights owned by third parties or (ii) by any third parties of any intellectual property rights owned by us.

Insurance

We maintain insurance coverage in amounts that we believe are consistent with our risks of loss and customary practice in the relevant industry. We purchase various insurances including but not limited to pension insurance, unemployment insurance and medical insurance for our employees according to the relevant PRC laws and regulations. Consistent with the customary practice in the PRC, we do not carry any third-party liability insurance to cover claims in respect of personal injury or property or environmental damage arising from accidents on our property or relating to our operations, nor do we carry any business interruption insurance or key-man life insurance on our key employees. Such insurance is not mandatory according to the laws and regulations of the PRC and would impose additional costs on our operations, which would reduce our ability to compete in the PRC.

We believe that we have sufficient insurance coverage in place and that the terms of our insurance policies are in line with industry practice in the PRC. However, there is a risk that we do not have sufficient insurance coverage for losses, damages and liabilities that may arise from our business operations. See "Risk Factors — Risks Relating to Our Business — We may suffer certain losses not covered by insurance."

Environmental Matters

We are subject to PRC national and local environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by PRC national, provincial and municipal governments and authorities. We have prepared "Social Responsibilities Management Guidelines (《社會責任管理制度》)" to ensure strict and consistent compliance with such laws and regulations. We believe that our businesses are in compliance with currently applicable national and local environmental laws and regulations in all material aspects.

As of the date of this offering memorandum, we are not in breach of any applicable environmental laws and regulations which have led to penalties imposed on us by the environmental authorities and there are no existing material legal proceedings, arbitrations or administrative penalties against us.

Health and Safety

We regard occupational health and safety as one of our important corporate and social responsibilities. Some of our business operations involve significant risks and hazards that could result in damage or destruction of property, death and personal injury, business interruption and possible legal liabilities. Pursuant to the applicable PRC laws, we have implemented a variety of internal rules and operating procedures for work safety, accident handling and safety training. In addition, our project directors and project management teams engage in safety inspections from time to time to ensure the safety of the work environment of our construction sites.

We did not experience any material safety accident during the three years ended December 31, 2020.

Employees

As of December 31, 2020, we had approximately 1,554 full-time employees.

In the PRC, in accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay in respect of our employees in the PRC various social security funds including basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, childbirth insurance and a housing fund.

We recruit our personnel from the open market. We offer competitive remuneration packages to our employees, including salaries and bonuses to qualified employees. We provide technical as well as operational training to all new employees and ongoing training for all employees.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on our business operations.

Legal Proceedings

From time to time, we, together with our subsidiaries, have been involved in legal proceedings or other disputes in the ordinary course of our business, which are primarily disputes with our contractors and customers, and we have not incurred material legal costs and expenses in view of our overall operating results.

As of the date of this offering memorandum, we are not aware of any material legal proceedings, claims, disputes, penalties or liabilities currently existing or pending against us that may have a material adverse impact on our business, financial condition or results of operations.

The following discussion summarizes the principal laws, regulations, policies and administrative directives to which we are subject.

The PRC Legal System

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

The National People's Congress of the PRC, or the NPC, and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws of the PRC. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest authority of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the authority of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable within their own administrative areas. These local laws and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed in June 1981, the Supreme People's Court, the State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

The PRC Judicial System

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts comprise the basic courts, the intermediate courts and the high courts. The basic courts are organized into civil, criminal, economic and administrative divisions. The intermediate courts are organized into divisions similar to those of the basic courts, and are further organized into other special divisions, such as the intellectual property division. The high level court supervises the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in China. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal from a judgment or order of a local court to the court at the next higher level. First judgments or orders of the Supreme People's Court are final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given in any court at a lower level, or the presiding judge of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC adopted in April 1991, amended in October 2007, August 2012 and June 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the location of the object of the action. However, such selection shall not violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request the enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement. If a party fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principal of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles, sovereignty or security of the PRC, or for reasons of social and public interests.

Establishment of a Real Estate Development Enterprise

According to the PRC Law on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) promulgated by the National People's Congress, which became effective in January 1995, amended in August 2007, August 2009 and August 2019, a real estate developer is defined as an enterprise that engages in the development and operation of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) promulgated by the State Council in July 1998, amended in January, 2011, March 2019, March 2018, March 2020, and November 2020, respectively, an enterprise that is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be RMB1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate.

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign-invested enterprises and apply for approvals of competent authorities relating to foreign investments in China.

Qualifications of a Real Estate Developer

Under the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》) (the "Provisions on Administration of Qualifications") promulgated by the Ministry of Construction in March 2000, subsequently revised on May 4, 2015 and December 2018, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, the qualifications of real estate developers are classified into four classes. Different classes of qualifications should be examined and approved by corresponding authorities.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of the Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.

- Class 2 or lower qualifications are regulated by the construction authorities at the provincial level subject to delegation to other government agencies. A real estate developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 sq.m. subject to confirmation by the construction authorities at the provincial level.

Under the relevant PRC laws and regulations, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employ, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification.

For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year from its date of issuance and may be extended for a period of no longer than two years with the approval of the real estate development authority. The real estate developer must apply for qualification classification to the real estate development authority within one month before expiration of the provisional qualification certificate.

A developer of any qualification classification may only engage in the development and sale of property within its approved scope of business and may not engage in business which is restricted to another classification. A class 1 property developer is not restricted as to the scale of property project to be developed and may undertake a property development project anywhere in the country. A class 2 property developer or lower may undertake a project with a gross floor area of less than 250,000 sq.m. and the specific scope of business shall be restricted to those agreed by the construction authority of the relevant province, autonomous region or municipality. Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual qualification inspection with developers of class 2 or lower shall be formulated by the construction authority of the relevant province, autonomous region or municipality.

Development of a Real Estate Project

Under the Interim Regulations of the People's Republic of China on Grant and Assignment of the Use Right of State-owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated by the State Council on May 19, 1990 and amended in November 2020, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the relevant PRC laws and regulations, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land use rights grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The relevant PRC laws and regulations provide that land use rights for a site intended for real estate development must be obtained through a grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

The Interim Regulations of the People's Republic of China on Grant and Assignment of the Use Right of State-owned Urban Land prescribe different maximum terms of land use rights for different purposes as follows

Purposes for Use of Land

	Maximum term
	(Years)
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Educational, scientific, cultural, public health and sports	50
Comprehensive utilization or others	50

When carrying out the feasibility study for a construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and Approval for Construction Sites (《建設用地審查報批管理辦法》) promulgated by the Ministry of Land and Resources in March 1999 and amended on November 2010 and November 2016, and the Measures for Administration of Preliminary Examination of Construction Project Sites (《建設項目用地預審管理辦法》) promulgated by the Ministry of Land and Resources in July 2001, as amended in October 2004, November 2008 and November 2016 respectively. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land use rights grant contract with the land user and issue an approval for the construction site to the construction entity or the developer.

According to the Urban Real Estate Administration Law (《中華人民共和國城市房地產管理法》), promulgated by the Standing Committee of the National People's Congress in July 1994, as was amended in August 2007, August 2009 and August 2019, a land user who obtains land use rights under the grant system must develop the land in accordance with the purposes for which the land is acquired and must commence the development within the time frame agreed to under the land grant contract. If the land user fails to commence development and construction within one year of the construction commencement date stipulated in the land grant contract, then the local land administration authority may impose a fine on the land user an "idle land fee" of up to 20% of the land premium agreed. If the land user fails to commence development of the relevant land after two years from the deadline set forth in the land grant contract, the land user's land use right may be forfeited. However, the foresaid penalties do not apply if the failure to commence development and construction is due to force majeure or caused by government actions.

Under the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction in December 1992, as amended in January 2011, the grantee under a land grant contract, i.e. a real estate developer, must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the Law of the People's Republic of China on Urban and Rural Planning (《中華人民共和國城鄉規劃法》) promulgated by the Standing Committee of the National People's Congress in October 2007 and revised in April 2015 and April 2019, and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority.

In accordance with the Regulations for the Expropriation of Compensation for Housing on State-owned Land (《國有土地上房屋徵收與補償條例》) promulgated by the State Council and implemented in January 2011, with regard to the expropriation of the housing of entities and individuals on the State-owned land for the need of public interest, the owners of the housing being expropriated shall be offered a fair compensation.

Compensation offered by governments at municipal and county levels that make housing expropriation decisions regarding parties with housing being expropriated includes: (i) compensation for the value of the housing being expropriated; (ii) compensation for relocation and temporary settlement caused by expropriation of housing; and (iii) compensation for the loss arising from the suspension of production and operation caused by expropriation of housing.

The amount of compensation for the value of housing being expropriated may not be less than the market price of the real estate similar to it on the announcement date of the housing expropriation decision. The value of housing being expropriated must be appraised and determined by a real estate price appraisal institution with corresponding qualifications according to the housing expropriation appraisal measures. A party that objects to the appraised value of the housing being expropriated may apply to the real estate price appraisal institution for review of the appraisal. A party that objects to the review result may apply to the real estate price appraisal expert committee for authentication.

The parties whose housing is being expropriated may choose monetary compensation, or may choose to exchange the property rights of the housing. If the parties whose housing is being expropriated choose to exchange the property rights of the housing, governments at municipal and county levels must provide housing used for the exchange of property rights, and calculate and settle the difference between the value of housing being expropriated and the value of housing used for the exchange of property rights. If residential housing of an individual is expropriated due to renovation of an old urban district and the individual chooses to exchange for the property rights of the housing in the area being renovated, governments at municipal and county levels that make housing expropriation decisions must provide the housing in the area being renovated or the nearby area.

When the site has been properly prepared and is ready for the commencement of construction works, the developer must apply for a permit for commencement of works from the construction authorities at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development ("MOHURD") in June 2014, which became effective on October 25, 2014 and amended in September 2018 and March 2021. According to the Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects (《國務院辦公廳關於加強和規範新開工專案管理的通知》) issued by the General Office of the State Council on November 17, 2007, before commencement of construction, all kinds of projects shall fulfill certain conditions, including, among other things, compliance with the national industrial policy, development plan, land supply policy and market access standard, completion of all approval and filing procedures, compliance with zoning plan in terms of site and planning, completion of proper land use procedures and obtaining proper environmental valuation approvals and construction permits or reports.

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. On January 30, 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》), amended in October 2017 and April 2019, respectively, which sets the respective quality responsibilities and liabilities for developers, construction companies, reconnaissance companies, design companies and construction supervision companies. In August 2008, the State Council issued the Regulations on Energy Efficiency for Civil Buildings (《民用建築節能條例》), which reduces the energy consumption of civil buildings and improves the efficiency of the energy utilization. According to this regulation, the design and construction of new buildings must meet the mandatory criteria on energy efficiency for buildings, and failure to meet such criteria will result in no commencement of construction or acceptance upon completion. Among other things, this regulation sets forth additional requirements for property developers in the sale of commodity buildings in this respect. After completion of construction works for a project, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the Provisions on Inspection upon Completion of Buildings and Municipal Infrastructure promulgated by Ministry of Housing and Urban-Rural Development (《房屋建築和市政基礎設施工程竣工驗收規定》) on December 2, 2013,and file with the construction authority at or above the county level where the project is located within 15 days of the construction being qualified for the acceptance examination according to the Provisional Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the Ministry of Construction in April 2000 and amended in October 2009. The inspection upon completion of constructing, expanding and reconstructing various buildings and municipal infrastructure should abide by the Provisions on Inspection upon Completion of Buildings and Municipal Infrastructure promulgated by Ministry of Housing and Urban-Rural Development on December 2, 2013 (《房屋建築和市政基礎設施工程竣工驗收規定》). Construction projects cannot be inspected upon completion until they fulfill relevant requirements, including, but not limited, to the constructing unit having paid fees due to the project in accordance with the contract, holding the warranty certificate for the quality of building signed by the related constructing unit, and completing correction of all issues ordered to be corrected by the competent department in charge of construction and the institution in charge of supervising the quality of construction projects. The developer must also report details of the acceptance examination according to the Interim Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工 程竣工驗收備案管理辦法》) promulgated by the Ministry of Construction in April 2000 and amended by Ministry of Housing and Urban-Rural Development in October 2009. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each phase upon completion.

In China, there are two registers of property interests. Land registration is effected by the issue of land use rights certificates by the relevant authorities to the land users. Land use rights may be assigned, mortgaged or leased. The building registration is effected by the issue of property ownership certificates to the property owners. Property or building ownership rights are only related to the building or improvements erected on the land. Under the PRC laws and regulations, all land use rights and property ownership rights that are duly registered are protected by law. Most cities in China maintain separate registries for the registration. However, Shenzhen, Shanghai, Guangzhou and some other major cities have a consolidated registry for both land use rights and the property ownership interests for the building erected on the relevant land.

Land for Property Development

In April 1988, the National People's Congress amended the PRC Constitution to permit the transfer of land use rights in accordance with the laws and regulations. In December 1988, the Standing Committee of the National People's Congress amended the Land Administration Law (《中華人民共和國土地管理法》), which was amended in August 1998, August 2004 and August 2019 to permit the transfer of land use rights in accordance with the laws and regulations.

Pursuant to the Measures on Disposal of Idle Land (《閒置土地處置辦法》) promulgated by the Ministry of Land and Resources on April 28, 1999, amended on June 1, 2012, idle land fees may be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights may be forfeited to the government without compensation to the developer if the land has not been developed for two years as required by the laws and regulations, and allotted for other purposes. Under current PRC laws and regulations on land administration, land for property development may be obtained only by grant except for land use rights obtained through allocation. Under the Regulations on the Grant of State-owned Land Use Rights Through Public Tender, Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有土地使用權規定》) promulgated by the Ministry of Land and Resources in May 2002 and amended and renamed as the Regulations on the Grant of State-owned Construction Land Use Rights through Public Tender, Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》) in September 2007, land for commercial use, tourism, entertainment and commodity housing development must be granted by public tender, auction or listing-for-sale. Under these regulations, the relevant land administration authority at city or county level, or the grantor, is responsible for preparing the public tender or auction documents and must make an announcement 20 days prior to the day of public tender or auction with respect to the particulars of the land parcel and the time and venue of the public tender or auction.

The grantor must also verify the qualification of the bidding and auction applicants, accept an open public auction to determine the winning tender or hold an auction to ascertain a winning bidder. The grantor and the winning tender or bidder will then enter into a confirmation followed by the execution of a contract for assignment of state-owned land use rights. Over the years, the Ministry of Land and Resources has promulgated further rules and regulations to define the various circumstances under which the state-owned land use rights may be granted by means of public tender, auction and listing-for-sale or by agreement. Under the Regulation on Grant of State-owned Land Use Rights by Agreements (《協議出讓國有土地使用權規定》) promulgated by the Ministry of Land and Resources on June 11, 2003, except for a project that must be granted through tender, auction and listing as required by the relevant laws and regulations, land use rights may be granted through transfer by agreement and the land premium for the transfer by agreement of the state-owned land use right shall not be lower than the benchmark land price.

The Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land (《關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》) issued by the General Office of the State Council on April 29, 2004 restated the principle of strict administration of the approval process for construction land and protection of basic farmland.

In accordance with the Opinion on the Work of Stabilizing Housing Prices (《關於做好穩定住房價格工作的意見》) issued on April 30, 2005, (i) the local government should focus on ensuring the supply of low-to medium-end ordinary residential houses while controlling the construction of high-end residential houses; (ii) a business tax would be levied from June 1, 2005 on the total revenue arising from any transfer by individuals of houses within two years of their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses (非普通住房) by individuals after two or more years from their initial purchase thereof; and (iii) the real estate registration department will no longer register the transfer of apartment units which are pre-sold where such units have not obtained the relevant property ownership certificates.

On July 13, 2006, the General Office of the State Council issued the Notice Regarding Relevant Matters on Establishing the State Land Supervision System (《國務院辦公廳關於建立國家土地督察制度有關問題的通知》). In accordance with this notice, the Ministry of Land and Resources established the State Land Supervision General Office (國家土地總督察辦公室) and sent its local counterpart, the State Land Supervision Bureau (國家土地督察局), to strengthen the supervision and management of land, and to manage the land as strictly as possible.

The Notice on Issues Relating to Strengthening the Land Control (《關於加強土地調控有關問題的通知》) promulgated by the State Council on August 31, 2006 sets forth the administration of the receipt and disbursement of the land premium, modifies the tax policies relating to the construction land, and builds up the system of publicity for the standards of the lowest price with respect to the granted state-owned land use right.

On January 19, 2007, the Ministry of Finance and State Taxation Administration issued a Notice about Implementing the Decision of the State Council on Amending the Interim Regulations of the People's Republic of China on Urban and Town Land Use Tax (《關於貫徹落實國務院關於修改〈中華人民共和國城鎮土地使用稅暫行條例〉的決定的通知》). The notice increases the annual land use tax and imposes such land use tax on foreign-invested enterprises.

According to the PRC Civil Code (《中華人民共和國民法典》) that became effective on January 1, 2021, when the term of the right to use construction land for residential (but not other) purposes expires, it will be renewed automatically. Unless it is otherwise prescribed by law, the owner of construction land use rights has the right to transfer, exchange, and use such land use rights as equity contributions or collateral for financing. If the State takes the premises owned by entities or individuals for public interest, it must compensate the property owners in accordance with law and protect the lawful rights and interests of the property owners.

In September 2007, the Ministry of Land and Resources amended the Regulations on the Grant of State-owned Land Use Rights through Public Tender, Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有土地使用權規定》), and renamed it as the Regulations on the Grant of State-owned Construction Land Use Rights through Public Tender, Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》), requiring that land for industrial use, except land for mining, must also be granted by public tender, auction and listing-for-sale. Only after the grantee has paid the land premium in full under the land grant contract can the grantee apply for the land registration and obtain the land use rights certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

In October 2007, the Standing Committee of National People's Congress promulgated the Law of the People's Republic of China Urban and Planning (《中華人民共和國城鄉規劃法》) amended in April 2015 and April 2019, pursuant to which a construction planning permit must be obtained from the relevant urban and rural planning government authorities for building any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area.

In January 2018, the Ministry of Land and Resources, the MOF, the PBOC and the CBRC jointly promulgated the Administration Measures on Land Reserves (《土地儲備管理辦法》), pursuant to which local authorities should reasonably decide the scale of land reserves in accordance with the macro-control of the land market. Idle, unoccupied, and low-efficient state-owned construction land inventory shall be used as land reserves in priority.

On December 30, 2007, the General Office of the State Council issued the Notice on the Strict Implementation of the Laws and Policies Regarding Rural Collective Construction Land (《國務院辦公廳關於嚴格執行有關農村集體建設用地法律和政策的通知》). This notice states that residential land in rural areas shall be allocated only to residents of the relevant village residing in the area, and that no urban inhabitants shall be permitted to purchase any homesteads, peasants' dwellings or "houses with limited property rights" in rural areas. No organization or individual shall be permitted to illegally rent or occupy any land collectively owned by peasants for the development of real estate.

In November 2009, the MOF, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (《關於進一步加強土地出讓收支管理的通知》). The Notice raises the minimum down payment for land premiums to 50% and requires the land premium to be fully paid within one year of the signing of a land grant contract, subject to limited exceptions. Any developer defaulting on any such payment may not participate in any new transactions of land grant.

In November 2009, the Ministry of Housing and Urban-Rural Development and the Office of the Leading Group for Addressing Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Ratio in Real Estate Development under the Ministry of Supervision jointly promulgated the Notification on Further Unfolding of the Special Project to Address Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Area Ratio (《關於深入推進房地產開

發領域違規變更規劃調整容積率問題專項治理的通知》) which re-emphasized the need to rectify, investigate and punish real estate developing companies committing any unauthorized adjustment of the floor area ratio.

In March 2010, the Ministry of Land and Resources promulgated the Notification on Issues Relating to Strengthening the Supply and Regulation of the Land for Real Estate Development (《關於加強房地產用地供應和監管有關問題的通知》) which adopted measures to improve the regulation of land for real estate development. These include, among others, measures to improve the preparation and implementation of the plan of land supply, guarantee the supply of land for supportive housing development, improve the regime of public tender, auction and list-for-sale of land use right, enhance the supervision on the use of land, disclose information on the supply and grant of land and the status of the construction project on the land to the public, and conduct special inspection on outstanding problems in the field of land use.

Pursuant to the notification, the administration of land and resources of cities and counties shall establish a regime for developers to report the commencement and completion of construction projects. Under such regime, the developer shall report in writing to the respective administration of land and resources at the commencement and completion of the construction project. The commencement and completion date of construction set forth in the agreements may be postponed by reporting the reasons of delay to the respective administration of land and resources no later than 15 days prior to the expiration. The developer who fails to report accordingly shall be announced to the public and prohibited from participating in any new transactions of land grant for at least one year. Additionally, the land used for developing supportive housing, small-to-medium-size self-used residential commodity housing and reconstructing shanty towns shall not be less than 70% of the total land supply for residential property development. The lowest land premium for the grant of land use right shall not be lower than 70% of the benchmark price for the land grade the granted land locates, and the deposit for the participation of tender shall not be lower than 20% of the lowest land premium. The land grant agreement shall be executed in writing within 10 days of the deal being reached, the down payment of the land grant price which shall not be less than 50% of the full land grant price shall be paid within one month of the land grant agreement being executed, and the land grant price shall be paid in full no later than one year after the land grant agreement is executed. A developer who defaults on the payment of the land premium, holds idle land, hoards or speculates in land, develops property on the land exceeding its actual development capacity or defaults on the performance of the land grant agreement shall be banned from participating in any transactions of land grant for a certain period.

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

In December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》), which provides, among other things, that: (i) cities and counties that have less than 70% of their land supply designated for social security housing projects, housing for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of 2010; (ii) land and resource authorities in local cities and counties will report to the Ministry of Land and Resources and provincial land and resource authorities, respectively, regarding land with a premium rate of more than 50%; and (iii) land designated for affordable housing which is used for commodity property development against relevant policies or involved illegal income will be confiscated and the relevant land use rights will be withdrawn. Moreover, changing the plot ratio without approval is strictly prohibited.

In addition to the general framework for transactions relating to land use rights set out in the urban land regulations, local legislation may provide for additional requirements, including those applicable to specific transactions within specific areas relating to the grant and transfer of land use rights. These local regulations are numerous and some of them are deemed to be inconsistent with national legislation. Under PRC law, national laws and regulations prevail when such inconsistencies arise.

On May 23, 2012, the Ministry of Land and Resources and NDRC jointly issued a Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Version) and the Catalog for Prohibited Land Use Projects (2012 Version) (《關於發布實施〈限制用地項目目錄(2012年本)〉和〈禁止用地項目目錄(2012年本)〉的通知》). In this Circular, the Ministry of Land and Resources has set forth a ceiling for the land granted by local governments for development of commodity housing as follows: seven hectares for small cities and towns, 14 hectares for medium-sized cities, 20 hectares for large cities; and the plot ratio of the project shall not be lower than 1.0.

On February 15, 2012, the Ministry of Land and Resources promulgated the Notice on Accomplishment of Real Estate Land Administration and Control in 2012 (《國土資源部關於做好2012年房地產用地管理和調控重點工作的通知》) 2012. The notice provides that:

- **The real estate control policy shall be firmly performed and the key tasks shall be clarified.**

  The real estate land administration and control is confronting fundamental requirements and key tasks that the control policy by central government shall be strictly implemented and the supervision and control shall be strengthened, while the price of real estate and land shall be stable and reasonable.

- **The real estate land supply shall be properly managed for the purpose of the welfare of the masses.**

Relevant authorities shall compile the annual supply plan of land for residential purposes of year 2012 from a scientific and reasonable perspective. The planned land supply quantity shall be no smaller than the average quantity of the recent five years, no less than 70% of which shall be designated for social security housing projects, housing for redevelopment of shanty towns and small/medium residential units. The supply of land for social security housing projects shall be guaranteed. The supply of high-end housing land shall be strictly controlled and no land shall be permitted for the development of villas.

- **The land supply for social security housing projects shall be guaranteed.**

  The construction land permission procedure for social security housing projects shall be accelerated.

- **Unlawful acts shall be strictly punished and the development and construction shall be vigorously encouraged.**

  Unlawful acts, including any of the following ones, shall be prohibited: a land use right is granted over a parcel of land where the land area exceeds the size approved by the relevant competent authorities; more than one parcel of land is granted to the same bidder at the same time; a land use right is granted over a parcel of land where the demolition of buildings erected on such land has not been carried out or the occupants of such land have not been compensated for the demolition and resettlement; a land use right is granted over a parcel of land with a plot ratio of less than one. A reporting system shall be implemented according to which, when concluding a land grant contract, a provision providing land users report to land and resources authorities in a written form before or at the commencement and completion of a project.

- **Supervision analysis and media propaganda shall be strengthened to provide a positive guidance towards the market.**

  Relevant local departments shall strengthen the supervision over land price. A record filing system of abnormal land purchases shall be implemented and improved.

On June 1, 2012, the Ministry of Land and Resources amended the Measures on Disposal of Idle (《閒置土地處置辦法》), which were originally published in April 1999. This amendment includes the following significant changes or new provisions:

- **Emphasizing the key purposes of regulating idle land.**

  The current version of Measures on Disposal of Idle Land re-emphasize the importance of suppressing intentional reservations of land for the purpose of resale. For example, it provides that if the real estate developer intentionally delays the commencement of construction and development for the purpose of reserving the land for resale in bad faith, and before the condition of such land is reviewed and disposed of by the government, the government should neither accept new applications for land use by the same land use rights holder nor register the status of transfer, lease, mortgage or information change of the land considered to be idle.

- **Readdressing the disposal method of idle land.**

  Consistent with the April 1999 version, the amended Measures on Disposal of Idle land (《閒置土地處置辦法》) once again addressed the method of disposal of idle land. If the real estate developer fails to commence the construction and development of the land for one year, the government should issue the Notice on Imposition of Land Idleness Penalty Fees to the holder of the land use right. The penalty fees should be 20% of the price that the holder paid for obtaining the land use right. If the holder of land use rights failed to commence the construction and development of the land for two years, the government should issue the Notice on Decision of Withdrawal of Land Use Right (《收回國有建設用地使用權決定書》) to the holder, thereby withdrawing the holder's right to use the land for free. However, compared with the 1999 version, the amended Measures on Disposal of Idle Land specify the procedure for determining and disposing of idle land, including:

  1. Once the relevant governmental authority suspects that a tract of land has become idle, it should initiate investigation within 30 days therefrom and issue a "notice on investigation of idle land" to the holder of the land use right. The holder of the land use right should submit explanatory materials about the development condition and reason for land idleness to the government within 30 days of the receipt of such notice.

  2. After investigation, if the government decides that the investigated land has become idle, it should issue a "notice on confirmation of idle land" to the investigated holder of land use rights, which will specify the facts and grounds for determining that the land concerned has become idle. Relevant information of the idle land will also be published on the governmental authority's official website after issuance of such notice.

  3. If the idleness of land was caused by the real estate developer rather than the government, the governmental authority is entitled to impose penalty fees for the idleness or even withdraw the decision for granting the land use right. However, before such penalty decisions are made, the government should notify the holder of the land use rights that the holder has the right to request a hearing.

  4. Once the government decides to impose penalty fees for land idleness, it should issue a "notice on imposition of land idleness penalty fees" to the holder of the land use rights, and the owner should pay the penalty fees within 30 days of the receipt of the notice. If the government decides to withdraw the decision for granting land use right, the government should issue a "notice on decision of withdrawal of land use rights" to the holder, and the holder should cancel the registration of its land use rights from the government's record within 30 days of its receipt of such notice.

- **Specifying the circumstances where the delay of commencement of construction and development was caused by the government.**

  If the delay of commencement of construction and development was caused by the government, the real estate developer will not be directly subject to penalties for delays caused by the developer itself. The amended Measures on Disposal of Idle Land specify the following circumstances where the delay of commencement of construction and development is considered to be caused by the government:

  1. where the land fails to be delivered to the holder of the land use rights in accordance with the time limit and conditions as prescribed in the land transfer contract or the land allocation decision, with the result that the conditions for commencing the construction and development of the project are not met;

  2. where relevant land-use planning is modified, with the result that the owner of the land use rights cannot commence construction and development;

  3. where the land-use planning and construction conditions need to be modified in the light of new policies issued by the government;

  4. where the construction and development of the land cannot be commenced due to complaints lodged by the general public in connection with the land;

  5. where the construction and development of the land cannot be commenced due to military control or protection of historic and cultural relics; and

  6. where other acts of any government or government agency cause the delay.

On November 5, 2012, the Ministry of Land and Resources, the Ministry of Finance, PBOC and China Banking Regulatory Commission ("CBRC") jointly promulgated the Notice on Strengthening Land Reserves and Financing Administration (《關於加強土地儲備與融資管理的通知》) in order to strengthen land reserve institutions' administration, determine the reasonable scale and structure of land reserve, strengthen the administration of land pre-development, reservation and protection, and regulate the financing of land reserve institutions and the use of land reservation funds.

Pursuant to the policy measures formulated in the State Council executive meeting on February 20, 2013 for strengthening the regulation on the real estate market, the PRC government has promulgated its latest policy to take measures to deter real estate purchases of speculative nature, to increase supply of ordinary commodity housing and land, and to speed up the planning and construction of affordable housing projects, as well as to strengthen the real estate market supervision. On February 26, 2013, the State Council issued the Notice of the General Office of the State Council on Continuing to Regulate Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知國辦發[2013]17號) ("**2013 Notice**"). Pursuant to the 2013 Notice, the measures to be taken include continuation of the strict implementation of measures on the restriction of purchase of commodity houses, continuation of strict implementation of different housing credit policies, continuation of supply of small to medium-sized ordinary properties and land, enhancement of the information system relating to house ownership, imposition of individual income tax at the rate of 20% on the transfer income (as defined under the income tax and regulations) from sale of self-owned residential properties, and acceleration of the planning and construction of affordable housing projects. The 2013 Notice also requires regional and other governmental department to set up measures to guard against risks of real estate developers' breach of contracts or illegal or non-compliance actions in the property investment and development. Subsequent to the issuance of the 2013 Notice, local governments (such as those in Beijing, Shanghai, Shenzhen and Shenyang) have promulgated detailed measures to implement the 2013 Notice. Given that the above new policy measures under the 2013 Notice are mainly aimed at regulating the residential property market, and the existing properties or project of ours are commercial properties, the Directors believe that such new policy measures will not have a significant impact on our business and operations.

Sale of Commodity Houses

Under the Measures for Administration of Sale of Commodity Houses (《商品房銷售管理辦法》) promulgated by the Ministry of Construction (the predecessor of MOHURD) in April 2001, sale of commodity houses can include both sales before the completion of the properties, or pre-sale, and sales after the completion of the properties.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Buildings in Urban Area (《城市商品房預售管理辦法》) promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and July 2004, and other related regulations. The pre-sale regulations provide that any pre-sale of commodity properties is subject to specified procedures. According to the current PRC laws and regulations, a pre-sale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authorities for a pre-sale permit. A commodity building may be sold before completion only if:

- the purchase price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been properly obtained;

- the pre-sale proceeds of commodity buildings must be used to develop the relevant project so pre-sold.

Local governments also may also have regulations on pre-sales of commodity properties. In September 2010, the Zhejiang Provincial Department of Housing and Urban-Rural Development, the PBOC Hangzhou Central Branch and the China Banking Regulatory Commission Zhejiang Office jointly issued the Interim Measures for the Supervision of the Pre-Sale Capital of Commercial Housing in Zhejiang Province (《浙江省商品房預售資金監管暫行辦法》), which took effect on November 1, 2010. According to this regulation, the approved pre-sale of commercial housing construction projects should be included in the scope of the pre-sale funds for the supervision of the object. Property developers should apply to open a special deposit account for pre-sale of commercial housing funds, but this account cannot be paid in cash. Property developers shall joint with the regulatory bank, the engineering supervision and control unit to sign a commercial housing pre-sale funds regulatory agreement (《商品房預售資金監管協議》) and then apply for a pre-sale of commercial housing permits (《商品房預售許可證》).

On March 16, 2011, NDRC promulgated the Provisions on Sales of Commodity Properties at Clearly Marked Prices (《商品房銷售明碼標價規定》), which took effect on May 1, 2011. According to this regulation, property developers are required to make public the sale price of each apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to specify factors that would affect housing prices and relative charges before the property sale, such as commission fee and property management fee. No additional charge beyond what is specified in the price tag or made public by the property developers is permitted.

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

Commodity buildings may be put to post-completion sale and delivery after they have passed the acceptance examination and otherwise satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit a real estate development project manual and other documents relating to the project evidencing the satisfaction of the preconditions for post-completion sale to the real estate development authority for its records.

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

Transfer of Real Estate

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

Where the land use rights are originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the granted land use rights as required by the land grant contract and a land use rights certificate has been properly obtained; and

- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; or

- in the case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been levelled and made ready for industrial or other construction purposes.

If the land use rights are originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term in the land grant contract. In the event that the assignee intends to change the use of the land provided in the land grant contract, consent must first be obtained from the original land use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, among others, change the use of the land and adjust the land premium accordingly.

If the land use rights are originally obtained by allocation, such allocated land use rights may be changed to granted land use rights upon approval by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant statutes. Assignment of Land for commercial use, tourism, entertainment and commodity housing development must be conducted through public tender, auction or listing-for-sale under the current PRC laws and regulations.

Leases of Buildings

The Measures for Administration of Lease of Commodity Housing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban Development on December 1, 2010 and implemented on February 1, 2011, require that parties to a leasehold arrangement of a property shall register the leasing agreement with the property administrative authorities within 30 days of entering into such leasing agreement under local government at the municipal or county level where the property is situated. In addition, an enterprise may be imposed a fine of RMB1,000 to RMB10,000 and individuals of RMB1,000 or less if they do not register a leasing agreement within the time limit required by the competent authorities.

Mortgages of Real Estate

Under the PRC Urban Real Estate Administration Law (《中華人民共和國城市房地產管理法》) promulgated by the Standing Committee of the National People's Congress in July 1994, as amended in August 2007, August 2009 and August 2019, the PRC Civil Code (《中華人民共和國民法典》) promulgated by the NPC in May 2020 and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》) promulgated by the Ministry of Construction in May 1997, as amended in March 2021 and August 2001, when a mortgage is created on the ownership of a building legally obtained, such mortgage must be simultaneously created on the land use rights of the land on which the building is situated. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. After a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. A real estate mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under "third-party rights" on the original property ownership certificate and then issue a certificate of third-party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the real property after issue of the certificates evidencing the rights and ownership to the real estate.

According to the PRC Civil Code (《中華人民共和國民法典》) that became effective on January 1, 2021, PRC Civil Code effective on January 1, 2021, further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or regulation applies.

The down payment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area of 90 sq.m. or more in May 2006. See "— Measures on Stabilizing Housing Price." The initial capital outlay requirement was subsequently increased to 35% by the CBRC, in August 2004, pursuant to its Guidance on Risk Management of Property Loans Granted by Commercial Banks (《商業銀行房地產貸款風險管理指引》).

In a Circular on Facilitating the Continuously Healthy Development of Property Market (《關於促進房地產市場持續健康發展的通知》) issued by the State Council in August 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of low-cost affordable houses, increasing the supply of ordinary commodity houses and controlling the construction of high-end commodity houses. Besides, the government also staged a series of measures on the lending for residential development, including, among others, improving the loan evaluation and lending process, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans. It is expected that the Circular will have a positive effect on the development of the PRC property market in the long run by facilitating a continuously healthy growth of the property market in China.

In September 2007, PBOC and CBRC promulgated a Circular on Strengthening the Management of Commercial Real Estate Credit Loans (《關於加強商業性房地產信貸管理的通知》), with a supplement issued in December 2007. The circular aims to tighten the control over real estate loans from commercial banks to prevent granting excessive credit. The measures include:

- for a first-time home owner, increasing the minimum amount of down payment to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 sq.m. or more and the purchaser is buying the property as its own residence;

- for a second-time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price of the underlying property and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) has financed the purchase of a residential unit, any member of the family that buys another residential unit with bank loans will be regarded as a second-time home buyer;

- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although the commercial banks are given certain flexibility based on its risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms to be decided by reference to commercial properties; and

- prohibiting commercial banks from providing loans to real estate developers who have been found by relevant government authorities to be hoarding land and properties.

In addition, commercial banks are also banned from providing loans to projects that have less than 35% of capital funds (proprietary interests), or fail to obtain land use right certificates, construction land planning permits, construction works planning permits or construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, real estate development loans provided by commercial banks should only be used for the projects where the commercial banks are located. Commercial banks may not provide loans to property developers to finance the payment of land premium.

According to the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes (《關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知》) issued by PBOC on October 22, 2008, the minimum amount of down payment has been adjusted to 20% since October 27, 2008.

In September 2010, PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), which provides, among other things, that (i) the minimum down payment is raised to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) on their third or more residential property or to non-local residents who cannot provide documentation payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of terms of the land contract, changing the land usage, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities have promulgated measures to restrict the number of residential properties a family is allowed to purchase, such as Guangzhou, Shenzhen, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian.

In November 2010, MOHURD, the MOF, CBRC and PBOC jointly promulgated the Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve Loan (《關於規範住房公積金個人住房貸款政策有關問題的通知》), which provides that, among other things: (i) where a first-time home buyer (including the borrower, his or her spouse and minor children) applying for housing loans to buy an ordinary residence for self-use with a unit floor area (a) equal to or less than 90 sq.m., the minimum down payment shall be at least 20%, or (b) more than 90 sq.m., the minimum down payment shall be at least 30%; (ii) for a second-time home buyer applying for housing loans, the minimum down payment shall be at least 50% with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing loan will only be available to families whose per capital housing area is below the average in the locality and such loan must only be used to purchase an ordinary residence for self-use to improve living conditions; and (iv) housing loans to families for their third or more residential property purchase will be suspended.

On January 26, 2011, the General Office of the State Council issued the Notice on Further Strengthening Regulation and Control of Real Property Markets (《關於進一步做好房地產市場調控工作有關問題的通知》), requiring: (i) a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation evidencing payment of local tax or social security for longer than a specified time period, are not permitted to acquire any residential properties. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

On September 29, 2014, PBOC and CBRC jointly issued the Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving Housing Financial Services (《中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知》) which sets the minimum mortgage loan interest rate for first-time home buyers at 70% of the benchmark loan interest rate. Where a family that already owns a home and has paid off the mortgage loan applies for another mortgage loan to buy another ordinary commercial home to improve the living conditions, the bank may apply the first home mortgage loan policy. In cities that have lifted home buying restrictions on residents or those that have not imposed such restrictions, when a family that owns two homes or more and has paid off all the mortgage loans applies for a mortgage loan to buy another home, the bank must make prudent decisions, after considering the solvency and credit standing of the borrower and other factors, on the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies.

PBOC, MOHURD and CBRC jointly issued the Notice on the Policies for Individual Housing Loans (《關於個人住房貸款政策有關問題的通知》) on March 30, 2015, which provides that where a family that already owns a home and has not paid off the corresponding housing loan applies for another commercial individual housing loan to buy another ordinary owner-occupation house to improve the living conditions, the minimum down payment ratio of housing loan is 40%. For a contributing employee family that uses housing provident fund loans to purchase its first ordinary owner-occupation home, the minimum down payment ratio of housing loan is 20%. Where a contributing employee family that already owns a home and has paid off the corresponding housing loan applies for another housing provident fund loan to buy another ordinary owner-occupation house to improve the living conditions, the minimum down payment ratio of housing loan is 30%.

PBOC and CBRC jointly issued the Notice of the People's Bank of China and the China Banking Regulatory Commission on Issues concerning Adjusting the Individual Housing Loan Policies (《中國人民銀行、中國銀行業監督管理委員會關於調整個人住房貸款政策有關問題的通知》) on February 1, 2016. According to this notice, in cities where "housing purchase restriction" measures are not implemented, the minimum down payment ratio for commercial individual housing loans granted to households of residents for purchasing ordinary housing units for the first time shall generally be 25%, and may be lowered by five percentage points by local governments; and where a household which owns one housing unit but has not paid off the relevant housing loan applies again for a commercial individual housing loan to purchase an ordinary housing unit to improve living conditions, the minimum down payment ratio shall not be less than 30%. In cities where "housing purchase restriction" measures are implemented, the policies are still same as before.

Real Estate Management

According to the Regulation on Property Management (《物業管理條例》), promulgated by the State Council in June 2003 and amended in August 2007, February 2016 and March 2018, a qualification system for enterprises engaging in property management activities has been adopted.

Real Estate Financing

PBOC issued the Circular on Further Strengthening the Management of Loans for Property Business Markets (《關於進一步加強房地產信貸業務管理的通知》) in June 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity houses as follows:

- Property development loans should be granted to property developers that are qualified for property development, with high credit ratings and which have no overdue payment for construction. For property developers with a high vacancy rate of commodity properties and high debt ratio, banks shall apply more stringent approval procedures for new property development loans and closely monitor their activities.

- Commercial banks shall not grant loans to property developers to finance the payment of land premium.

- Commercial banks may not provide loans in any form for a property development project without a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit.

- Commercial banks may only provide housing loans to individual purchasers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the first installment remains at 20%. For any additional purchase of residential unit(s), the percentage of the first installment shall be increased.

- When a borrower applies for a mortgage loan for an individual commodity property, the mortgage shall not be more than 60% of the purchase price of the property. In addition, the tenure of the loan may not be more than 10 years and the commodity house shall be completed and delivery accepted after inspection.

The down payment requirement was subsequently increased to 30% of the property price for residential units with a GFA of 90 sq.m. or more, which became effective on June 1, 2006. See "— Measures on Stabilizing Housing Price" below.

In August 2003, the State Council issued the Circular on Facilitating the Continuously Healthy Development of Property Market (《關於促進房地產市場持續健康發展的通知》) which contains a series of measures to control the property market. They include, but are not limited to, strengthening the construction and management of economical houses, increasing the supply of ordinary commodity properties and controlling the construction of high-end commodity properties. The PRC government also adopted a series of measures in respect of property development loans, which include placing greater effort on provision of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring procedures over property loans. It is expected that the circular should have a long-term positive effect on the development of the PRC property market by facilitating the healthy growth of the PRC property market.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks (《商業銀行房地產貸款風險管理指引》) issued by the CBRC in August 2004, any property developer applying for property development loans must have at least 35% of the total capital required for the development and a commercial bank should maintain a strict loan system for considering applications for property development loans.

Under the Notice of the People's Bank of China on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve (《中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》) issued by PBOC on March 16, 2005, and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the MOF, the Ministry of Land and Resources, PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices (《關於調整住房供應結構穩定住房價格的意見》). These opinions stipulate that a commercial bank shall not lend funds to property developers with an internal capital ratio of less than 35%, or grant revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, or take commodity properties which have been vacant for more than three years as security for mortgage loans. The opinions also require that, from June 1, 2006, the minimum amount of down payment shall not be less than 30% of the purchase price of the underlying individual commodity houses and shall not be less than 20% of the purchase price of the underlying commodity houses with a GFA of less than 90 sq.m.

On September 27, 2007, PBOC and CBRC issued the Circular on Strengthening the Credit Management for Commercial Real Property (《關於加強商業性房地產信貸管理的通知》), with a supplement issued in December 2007. The Circular aims to tighten the control over property loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first-time home buyer, increasing the minimum amount to 30% of the purchase price as down payment where the property has a unit floor area of 90 sq.m. or above and the purchaser is buying the property for use as one's own residence;

- for a second-time home buyer, increasing: (i) the minimum amount of down payment to 40% of the purchase price; and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) finances the purchase of a residential unit, any member of the family that buys another residential unit with loans from banks will be regarded as a second-time home buyer;

- for commercial property purchases, (i) prohibiting banks from financing any purchase of pre-sold properties; (ii) increasing the minimum amount of down payment to 50% of the purchase price; (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate; and (iv) limiting the tenure of such bank loans to no more than 10 years, although commercial banks are allowed some discretion based on its risk assessment;

- for purchases of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price, with the other terms to be decided by reference to commercial properties; and

- prohibiting commercial banks from providing loans to property developers who have been found by relevant government authorities to be holding excessive amounts of land and properties.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35% of capital funds (proprietary interests), or where there is failure to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral. In principle, property development loans provided by commercial banks should only be used for projects in areas where the commercial bank is located. Commercial banks may not provide loans to property developers to finance the payment of land use rights grant fees.

According to the Notice on Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans (《關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知》), the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio of residential properties was lowered to 20%.

Under the Circular of the State Council on Saving Intensive-use Land (《國務院關於促進節約集約用地的通知》) which was enacted on January 3, 2008, with regard to the real estate projects of which development or construction exceeds one year from the start date stated in the land use rights granting contract, for which less than 1/3 of the development area has been completed, or for which less than 1/4 of the investment has been made, the financial institutions should be very prudent when they provide loans and examine financing for such project, and they should be prudent when granting extended loan facilities and revolving credit facilities.

The Notice on Financially Promoting the Economical and Intensive Use of Land (《關於金融促進節約集約用地的通知》) jointly issued by PBOC and CBRC on July 29, 2008, among other things:

- restricts PRC commercial banks from granting loans to property developers for the purpose of paying land premiums;

- regulates the secured loans for land reserve in various respects, including to obtain land use certificate, to secure up to 70% value of security's appraised valuation, and to limit the length of maturity in no more than two years; and

- restricts granting loans to the property developer, the land of which has been idle for over two years, and restricts taking such land as a security for loans.

In accordance with the Notice Regarding Adjusting Capital Ratio of Fixed Assets Investment Project (《關於調整固定資產投資項目資本金比例的通知》) promulgated by the State Council on May 25, 2009, the minimum capital ratio for real estate development projects (other than low-income and ordinary commercial housing projects) has been reduced to 30%. When providing credit support and services, financial institutions shall carry out independent assessment to prevent financial risks and conduct comprehensive assessment and evaluation on the authenticity of the capital, returns on investment and credit risks with reference to the capital ratio requirements promulgated by the state and the actual status of the borrower and the project, to independently decide whether to grant the loan and the specific amount and proportion of the loan.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of Property Market (《關於促進房地產市場平穩健康發展的通知》), adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance on the purchase of property, curb speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), which has already purchased a residence through mortgage financing and has applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》) which stipulated that down payment for a first property with an area of more than 90 sq.m. shall not be less than 30% of the purchase price, the down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by PBOC. In addition, the down payment and interest rate shall significantly increase for the third or further property bought with mortgage loans.

On May 26, 2010, the MOHURD, PBOC and CBRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Commercial Personal Housing Loans (《關於規範商業性個人住房貸款中第二套住房認定標準的通知》), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account the total number of residential properties owned by the family of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

In September 2010, PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), which provides, among other things, that (i) the minimum down payment is increased to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, his/her spouse and minor children) for their third or further residential property or to non-local residents who cannot provide documentation evidencing payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of violating the terms of the land grant, changing the land usage, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities, such as Guangzhou, Shenzhen, Foshan, Zhuhai, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian have promulgated measures restricting the number of residential properties one family is allowed to purchase.

In November 2010, MOHURD and SAFE jointly promulgated the Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals (《關於進一步規範境外機構和個人購房管理的通知》), pursuant to which a foreign individual can only purchase one unit of residential property for self-use in the PRC and an overseas institution which has established a branch or representative office in the PRC can only purchase non-residential properties for business use in the city where it is registered within the PRC.

On January 26, 2011, the General Office of the State Council issued the Notice on Further Strengthening Regulation and Control of Real Property Markets (《關於進一步做好房地產市場調控工作有關問題的通知》), which: (i) imposes a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are excessively high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation evidencing payment of local tax or social security for longer than a specified time period, are not permitted to acquire any residential properties. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Chengdu, Qingdao, Hainan, Nanjing, Guangzhou, Tianjin, Shenyang and Jinan, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

On September 29, 2014, PBOC and CBRC jointly issued the Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving Housing Financial Services (《中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知》) which sets the minimum mortgage loan interest rate for first-time home buyers at 70% of the benchmark loan interest rate. Where a family that already owns a home and has paid off the mortgage loan applies for another mortgage loan to buy another ordinary commercial home to improve the living conditions, the bank may apply the first home mortgage loan policy. In cities that have lifted home buying restrictions on residents or those that have not imposed such restrictions, when a family that owns two homes or more and has paid off all the mortgage loans applies for a mortgage loan to buy another home, the bank must make prudent decisions, after considering the solvency and credit standing of the borrower and other factors, on the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies.

On November 24, 2014, the State Council Promulgated the Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), effective from March 1, 2015, amended in March 2019 which provides for the following, among others:

- the competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region which shall be subject to the guidance and supervision by the competent real estate registration authority at the higher level;

- the real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the natural condition and ownership conditions of the real estate, and restriction of rights;

- the competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform management platform for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform management platform to ensure the real-time sharing of registration information at the national, provincial, municipal and county levels; and

- any right holder or interested party may inquire about or copy the real estate registration materials and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purposes and no such information may be disclosed to the public or others without the consent of the right holder.

PBOC, MOHURD and CBRC jointly issued the Notice on the Policies for Individual Housing Loans (《中國人民銀行、住房城鄉建設部、中國銀行業監督管理委員會關於個人住房貸款政策有關問題的通知》) on March 30, 2015, which provides that where a family that already owns a home and has not paid off the corresponding housing loan applies for another commercial individual housing loan to buy another ordinary owner-occupation house to improve the living conditions, the minimum down payment ratio of housing loan is 40%. For a contributing employee family that uses housing provident fund loans to purchase its first ordinary owner-occupation home, the minimum down payment ratio of housing loan is 20%. Where a contributing employee family that already owns a home and has paid off the corresponding housing loan applies for another housing provident fund loan to buy another ordinary owner-occupation house to improve the living conditions, the minimum down payment ratio of housing loan is 30%.

On March 24, 2016, the Committee of Housing and Urban-Rural Development of Shanghai, Shanghai Administration of Land and Resources, Shanghai Municipal Financial Service Office and Shanghai Administration of Industry and Commerce jointly issued the Several Opinions on Further Improving the City's Housing Market System and Security System to Facilitate the Healthy Development of the Real Estate Market, which provides that:

- for non-permanent resident purchasers, he or she shall pay individual income tax and social security for at least five consecutive years in Shanghai from the date of purchase; and

- for a resident family that owns one housing unit, if the family applies again for a commercial individual housing loan to purchase an ordinary housing unit for its own living to improve its current living conditions, the minimum down payment ratio shall not be lower than 50%. For a resident family that owns one housing unit, if the family applies again for a commercial individual housing loan to purchase an ordinary housing unit not for its own living to improve its own living conditions, the minimum down payment ratio shall not be lower than 70%.

On August 25, 2019, the PBOC issued an announcement (PBOC Notice (2019) No.16) regarding the interest rate for new mortgage loans, which provides that after October 8, 2019, new mortgage loans shall be priced by adding basis points to the latest monthly LPR of corresponding maturity; the interest rate of the loans for the first residential property shall not be lower than the LPR of corresponding maturity, and that of the second residential property not be lower than the LPR of corresponding maturity plus 60 basis points. Further, the interest rates of the loan for commercial properties shall not be lower than the LPRs of corresponding maturities plus 60 basis points, and no adjustments shall be made to the interest rates of housing provident fund for residential properties for the time being. See "Risk Factors — Risks Relating to Our Business — Our business will be adversely affected if mortgage financing becomes more costly or otherwise less attractive or available."

Insurance

There is no mandatory provision under the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments. According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third-party liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

Deed Tax

Pursuant to Deed Tax Law of PRC (《中華人民共和國契稅法》) promulgated by the Standing Committee of the NPC in August 2020, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be responsible for the payment of deed tax. The rate of deed tax is 3% to 5% of the purchase price. The governments of provinces, autonomous regions and municipalities may, within the foresaid range, report their specific applicable tax rates of the deed tax to the Standing Committee of the People's Congress at the same level for decision and report to the Standing Committee of the NPC and the State Council for the record. Pursuant to the Decision of the Standing Committee of the Zhejiang Provincial People's Congress on the specific applicable tax rate and other matters of the deed tax implemented in September 2021, the rate of deed tax in Zhejiang is 3%.

Property Tax

Under the Interim Regulations of the People's Republic of China on Property Tax (《中華人民共和國房產稅暫行條例》) enacted by the State Council on September 15, 1986, enforced on October 1, 1986 and amended on January 8, 2011, the property tax rate is 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

On January 27, 2011, the government of Shanghai Municipality issued the Interim Measures on Pilot Property Tax Scheme on Certain Personal Residential Properties in Shanghai (《上海市開展對部分個人住房徵收房產稅試點的暫行辦法》), which provides that, within the territory of the administrative regions of the Shanghai Municipality, property tax will be imposed on any purchase of a second (or further) residential property by local residents or any purchase of a residential property by non-local residents on or after January 28, 2011, at rates ranging from 0.4% to 0.6% based on 70% of the purchase price of the property. These measures became effective on January 28, 2011.

Measures on Stabilizing Housing Price

The General Office of the State Council promulgated a Circular on Stabilizing Housing Price (《關於切實穩定住房價格的通知》) in March 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. In April 2005, the Ministry of Construction, NDRC, the MOF, the Ministry of Land and Resources, PBOC, State Administration of Taxation ("SAT") and CBRC jointly issued an Opinions on Stabilizing Housing Prices (《關於做好穩定住房價格工作的意見》) containing the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low-cost affordable houses. The construction of low-density, high-end houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as the building height, plot ratio and green space and to impose such requirements as the selling price, type and gross floor area as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions.

- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high-end housing property construction should be strictly restricted.

- The idle land fee must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years must be forfeited without compensation.

- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years of his/her purchase will be levied on the entire sales proceeds from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.

- Ordinary residential houses with medium or small gross floor areas and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the gross floor area of one single unit is less than 120 sq.m., and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.

- Transfer of unfinished commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically immediately after its execution.

The Notice on Adjustment of the Housing Loan Policy and Deposit Rate of Excess Reserve for Commercial Banks (《關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》), promulgated by PBOC in March 2005, has made adjustment to individual housing loan policies of commercial banks as well as individual housing fund loan rate. Pursuant to this notice, the preferential mortgage loan interest rate was replaced by the commercial loan interest rate subject to certain restrictions on the lower limit on such interest rates. In the urban areas or cities with rapidly increased real estate prices, the minimum down payment ratio for individual housing loans was adjusted from 20% to 30%. In May 2006, the Ministry of Construction, NDRC, PBOC and other relevant PRC government authorities jointly issued their Opinions on Housing Supply Structure and Stabilization of Property Prices (《關於調整住房供應結構穩定住房價格意見的通知》). These opinions reiterated the existing measures and introduced additional measures that aim to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. These measures include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low- to medium-cost and small- to medium-size units and low-cost rental properties;

- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006, must consist of units with a unit floor area of less than 90 sq.m. per unit and that projects which have received approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government, such as Beijing, Chongqing and Shanghai, provincial capitals and certain other cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 sq.m. or more, effective from June 1, 2006;

- prohibiting commercial banks from lending to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from accepting commodity properties which have been vacant for more than three years as security for their loans; and

- imposing a business tax levy on the entire sales proceeds from the transfer of properties if the holding period is shorter than five years, which became effective from June 1, 2006, as opposed to two years when such levy was initially implemented in June 2005, and allowing such business tax to be levied on the difference between the price for such re-sale and the original purchase price in the event that an individual transfers a property other than an ordinary residential property after five years from his/her date of purchase.

In September 2007, the Ministry of Land and Resources issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties of Housing for Low-income Urban Families and Further Strengthening Macro-control of Land Supply (《關於認真貫徹〈國務院關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知》) as amended on December 3, 2010, pursuant to which, at least 70% of the land supply arranged by the relevant land administration authority at city or county level for residential property development for any given year must be used for developing low- to medium-cost and small- to medium-size units, low-cost rental properties and affordable housing.

In July 2008, PBOC and CBRC jointly issued the Notice on Financially Promoting the Saving and Intensification of Use of Land (《關於金融促進節約集約用地的通知》), requiring that relevant financial institutions to strengthen the administration of construction land project loans, including the administration of commercial real estate credit loans.

In October 2008, PBOC issued the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes (《關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知》), pursuant to which, since October 27, 2008, the bottom limit of the interest rate applicable to the commercial personal home loans has been extended, the minimum amount of down payment has been adjusted to 20% and the interest rate applicable to personal home loans financed by provident funds has also been reduced.

In December 2008, the General Office of the State Council issued the Several Opinions on Facilitating the Healthy Development of the Real Estate Market (《關於促進房地產市場健康發展的若幹意見》), which aims to, among other things, encourage the consumption of the ordinary residence and support the real estate developer to handle market change. Pursuant to this opinion, in order to encourage the consumption of ordinary residence, from January 1, 2009 to December 31, 2009, business tax is imposed on the full amount of the sale income upon the transfer of a non-ordinary residence by an individual within two years from the purchase date. For the transfer of non-ordinary residence which is more than two years of the purchase date and ordinary residence which is within two years of the purchase date, the business tax is to be levied on the difference between the sale income and the purchase price. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residence that is smaller than the average size for their locality may buy a second ordinary residence under favorable loan terms similar to first-time buyers. In addition, support for real estate developers to deal with the changing market is to be provided by increasing credit financing services to "low-to-medium-level price" or "small-to-medium-sized" ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to real estate developers with good credit standing for merger and acquisition activities.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of Property Market (《關於促進房地產市場平穩健康發展的通知》), which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires each family (including a borrower, his or her spouse and children under 18), that has already purchased a residence through mortgage financing and have applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price on the second or more residences.

On April 17, 2010, the State Council announced a series of new measures in Notice on Firmly Preventing Property Price from Increasing Too Fast in Certain Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》) to keep housing prices from rising too quickly in certain cities in conjunction with and subsequent to a meeting held on April 14, 2010. The new measures include, among other things:

Higher minimum down payment requirements

- first-time home house buyers must make a down payment of at least 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 sq.m. or more;

- second-time home buyers must make a down payment of at least 50% of the purchase price of the underlying property subject to a minimum mortgage loan interest rate at 110% of the relevant PBOC benchmark one-year lending interest rate; and

- commercial banks should significantly increase the ratio of minimum down payment to the purchase price and the minimum mortgage loan interest rate, respectively, for buyers who purchase a third or additional houses by mortgage financing.

Commercial banks' right to stop lending

- in regions where house prices have been increasing too quickly, commercial banks may stop granting mortgage loans to home buyers who purchase a third or any additional house;

- commercial banks are required to stop granting mortgage loans to home buyers who are not local residents and cannot provide evidence of payment of tax or social insurance contributions in such local area for more than one year; and

- the local governments may adopt interim measures to impose limits on the maximum number of units that one family may own.

Punishment of speculative developers

- commercial banks are not allowed to lend to developers who hold idle land or manipulate land reserve or price; and

- the China Securities Regulatory Commission may suspend review of applications from speculative developers for listing of shares, restructuring or refinancing.

Disclosure of property ownership

- property developers who have filed with the local government information on completed properties to be sold or who have obtained the pre-sale permits are required to disclose to the public the properties for sale all at once and within a specified period of time and sell the properties they develop exactly at the price provided to the local government.

On September 29, 2010, the MOF, SAT and the Ministry of Housing and Urban Development jointly issued the Notice on Adjustments to Deed Tax and Individual Income Tax on Real Estate Transactions (《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》), according to which, a family (including the purchaser, the purchaser's spouse and minor children) purchasing its first ordinary residential property, will enjoy a 50% reduction on deed tax payment; where the GFA of the aforementioned property is less than 90 sq.m., the deed tax rate will be 1%. Individuals who purchase another residential property within one year of selling their own residential properties shall no longer enjoy exemption or reduction of individual income tax.

On September 29, 2010, PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), according to which, the minimum down payment has been raised to 30% of the purchase price of the commodity residential property, and commercial banks shall suspend granting mortgage loans to families that purchase a third or further residential property or non-local residents who fail to provide one-year or longer tax payment certificates or social insurance payment certificates. For a mortgage on the second residential property, the minimum down payment must be 50% of the purchase price and the interest rate must be no less than 1.1 times that of the corresponding benchmark interest rate over the same corresponding period released by PBOC.

On January 26, 2011, the General Office of the State Council issued the Notice on Further Adjustment and Control of Property Markets (《關於進一步做好房地產市場調控工作有關問題的通知》) which requires, among other restrictive measures: (i) a minimum down payment of 60% of the total purchase price with a minimum mortgage interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, local residents with two or more residential properties, non-local residents with one or more residential properties and non-local residents that are unable to provide documentation certifying payment of local tax or social insurance payment for a specified time period are not permitted to purchase any residential properties located in the local administrative area.

On January 27, 2011, the MOF and SAT jointly issued the Notice on Adjusting the Business Tax Policies upon Transferring Residential Properties by Individuals (《關於調整個人住房轉讓營業稅政策的通知》), which was revised on March 30, 2015. Pursuant to the notice, business tax will be levied upon the transfer of a residential property held by an individual for less than two years and the amount of business tax to be paid will be calculated based on the full amount of the sale proceeds. For an individual transferring a non-ordinary residential property held for less than two years, the business tax to be paid will be calculated based on the difference between the sale proceeds and the original purchase price. An individual transferring an ordinary residential property held for two years or more will be exempted from the business tax.

On July 19, 2012, Ministry of Land and Resources and MOHURD issued the Urgent Notice to Further Tighten up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of the Real Property Market (《關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》). According to this notice, the Ministry of Land and Resources, MOHURD and their respective local counterparts will continue to strictly regulate the market to prevent housing prices from rebounding. Local governments must ensure a supply of land for social security housing projects, and must try to increase the completion rate of such projects. Further, the governments will further improve the land price evaluation procedure, thereby allowing for the reasonable determination of base prices for land auction. For those auctions in which the land prices may be raised to a significantly higher level, the governments must adjust the bidding method in a timely manner. For those lands which are expected to reach unprecedentedly high prices and those lands whose final deal prices have a premium rate of more than 50%, the government should adjust the land transfer scheme in a timely manner, such as by limiting the final home prices or requiring the land purchaser to build additional social security housing projects. Further, the government will continue enforcing the system for reporting unusual transactions, which requires that governments at city level and county level should, within two business days of the signing of the purchase confirmation letter or the dispatch of the letter of acceptance, submit the unusual transaction data to the national land market monitoring and administration system, thereby reporting the unusual transaction to the Ministry of Land and Resources and its agencies at the provincial level.

Additionally, under this notice, the government emphasizes that the scope of land to be transferred should not exceed its scope limit, and some other acts will continue to be strictly prohibited, such as combining two or more separate tracts of land into one bidding subject, or transferring land without first completing the demolition and relocation work. The floor-area ratio of residential land should be no less than 1. Further, land allocation decision or land transfer contract should require the real estate developer to commence the construction and development within one year of the land has been delivered to it and to complete the construction and development within three years. The government will strictly inspect the competence of bidders so as to prohibit any bank loan from being used for the payment of land price. The deposit for land auction or bidding should not be less than 20% of the base price. After the deal of land transfer has been reached, the land transfer agreement should be signed within 10 business days, 50% of the land price should be paid within one month of the signing of the land transfer agreement and the payment of the remaining land price should be made within one year. Also, the government should prohibit the purchaser from purchasing land for a certain period if such a purchaser (a) failed to pay the land price in a timely manner; (b) intentionally left the land idle; (c) intentionally reserved land for the purpose of resale; (d) developed land beyond its development capability; or e) failed to duly perform the land use contract.

Pursuant to the policy measures formulated in the State Council executive meeting on February 20, 2013, for strengthening the regulation on real estate market, the PRC government has promulgated its latest policy to take measures to deter real estate purchase of speculative nature, to increase supply of ordinary commodity housing and land, to speed up the planning and construction of affordable housing projects, as well as to strengthen the real estate market supervision. Pursuant to the 2013

Notice, the measures to be taken include continuation of the strict implementation of measures on the restriction of purchase of commodity houses, continuation of strict implementation of housing credit policies, continuation of supply of small- to medium-sized ordinary properties and land, enhancement of the information system relating to house ownership, imposition of individual income tax at the rate of 20% on the transfer income (as defined under the income tax and regulations) from sale of self-owned residential properties, and acceleration of the planning and construction of affordable housing projects. The 2013 Notice also requires relevant authorities at regional governments to formulate measures to guard against risks of real estate developers' breach of contracts or illegal or non-compliance actions in the property investment and development. Subsequent to the issuance of the 2013 Notice, local governments (such as those in Beijing, Shanghai, Shenzhen and Shenyang) have promulgated corresponding detailed measures to implement the 2013 Notice.

To support the reasonable home buying demand of the household sector and promote the sustainable development of the real estate market, PBOC and CBRC jointly issued the Notice on Further Improving Financial Services for Real Estate Sector (《關於進一步做好住房金融服務工作的通知》) on September 29, 2014, which provides that for any family that uses loans to buy the first ordinary home for its own use, a minimum down payment ratio of mortgage loan is 30% and the floor loan interest rate is 70% of the benchmark loan interest rate, and the specific terms shall be decided by the banking financial institution that provides the loan based on the risk profile of the borrower. Where a family that already owns a home and has paid off the mortgage loan applies for another mortgage loan to buy another ordinary commercial home to improve the living conditions, the bank may apply the first home mortgage loan policy. In cities that have lifted home buying restrictions on residents or those that have not imposed such restrictions, when a family that owns two homes or more and has paid off all the mortgage loans applies for a mortgage loan to buy another home, the bank must make prudent decisions, after considering the solvency and credit standing of the borrower and other factors, on the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies.

PBOC, MOHURD and CBRC jointly issued the Notice on the Policies for Individual Housing Loans (《關於個人住房貸款政策有關問題的通知》) on March 30, 2015, which provides that where a family that already owns a home and has not paid off the corresponding housing loan applies for another commercial individual housing loan to buy another ordinary owner-occupation house to improve the living conditions, the minimum down payment ratio of housing loan is 40%. For a contributing employee family that uses housing provident fund loans to purchase its first ordinary owner-occupation home, the minimum down payment ratio of housing loan is 20%. Where a contributing employee family that already owns a home and has paid off the corresponding housing loan applies for another housing provident fund loan to buy another ordinary owner-occupation house to improve the living conditions, the minimum down payment ratio of housing loan is 30%.

MOF and SAT released the Notice on Adjusting the Business Tax Policies Concerning Transfer of Individual Housing (《關於調整個人住房轉讓營業稅政策的通知》), which was adopted on March 31, 2015. According to the aforesaid notice, where an individual sells a house that was purchased less than two years ago, full amount of business tax shall be levied. Where an individual sells a non-ordinary house that was purchased more than two years (inclusive) ago, business tax shall be levied based on the difference between the sales proceed and the purchase price of the house. Where an individual sells an ordinary house that was purchased more than two years (inclusive) ago, business tax is exempted.

On August 27, 2015, MOHURD, MOF and PBOC jointly issued the Notice on Adjustments to the Down Payment of a Housing Provident Fund Loan (《關於調整住房公積金個人住房貸款購房最低首付款比例的通知》), which provides that resident households which already own one residential property with the mortgage loans paid off shall be entitled to a reduced down-payment requirement, from 30% to 20% of the total purchase price, when they reapply for a housing provident fund loan to purchase a second home. The relevant authorities in Beijing, Shanghai, Guangzhou and Shenzhen shall have the discretion to decide the local down-payment requirement for second-home purchases with housing provident fund loans.

On September 30, 2015, PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Further Improvement of Differential Mortgage Loan Policies (《關於進一步完善差別化住房信貸政策有關問題的通知》), according to which, in the cities where no restrictions on house purchase are in force, when a household uses a commercial personal housing mortgage loan to purchase an ordinary residential property as the first home, the minimum down payment shall not be less than 25% of the house price.

On February 1, 2016, PBOC and CBRC jointly issued The Notice on the Adjustment of Individual Housing Loans Policies (《關於調整個人住房貸款政策有關問題的通知》), which provides that in certain cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners who have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30%.

Environmental Protection

The laws and regulations governing the environmental protection requirements for real estate development in China include the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Prevention and Control of Noise Pollution Law (《中華人民共和國環境噪聲污染防治法》), the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the PRC Administrative Regulations on Environmental Protection for Development Projects (《建設專案環境保護管理條例》).

Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental protection standards and regulations before the property can be delivered to the purchasers.

Labor Law and Labor Contract Law

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) effective since January 1, 1995, and amended on August 2009 and December 2018, the PRC Labor Contract Law (《中華人民共和國勞動合同法》) effective since January 1, 2008 and amended on December 28, 2012, and the Implementing Regulations of the PRC Labor Contract Law (《中華人民共和國勞動合同法實施

條例》) effective since September 18, 2008, an employment relationship is established from the date when an employee commences working for an employer, and a written employment contract must be entered into on this same date. If an employment relationship has already been established with an employee but no written employment contract has been entered into simultaneously, a written employment contract must be entered into within one month of the date on which the employee commences work. If an employer fails to enter into a written employment contract with an employee within one year of the date on which the employment relationship is established, it must pay the employee twice his/her salary for each month of the 11-month period and rectify the situation by subsequently entering into a written employment contract with the employee.

Regulation on Social Insurance and Housing Fund

As required under Regulation of Insurance for Labor Injury (《工傷保險條例》), Provisional Insurance Measures for Maternity of Employees (《企業職工生育保險試行辦法》), Regulation of Unemployment Insurance (《失業保險條例》), the Decision of the State Council on Setting up Basic Medical Insurance System for Staff Members and Workers in Cities and Towns (《國務院關於建立城鎮職工基本醫療保險制度的決定》), the Interim Regulations on the Collection and Payment of Social Insurance Premiums Towns (《社會保險費徵繳暫行條例》) and the Interim Provisions on Registration of Social Insurance, business enterprises are obligated to provide their employees in China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance. Any enterprise that fails to make social insurance contributions in accordance with the relevant regulations may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline. If the enterprise fails to rectify the non-compliance by the stipulated deadline set out by the government authorities, it can be assessed a late fee by the relevant authority in the amount of 0.2% of the amount overdue per day from the original due date.

In addition, on October 28, 2010, the Standing Committee of the National People's Congress promulgated the Social Insurance Law (《中華人民共和國社會保險法》), which became effective on July 1, 2011 and amended in December 2018, to clarify the components of the social insurance system in China. According to the Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees. According to the Social Insurance Law, an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee of 0.05% of the amount overdue per day from the original due date by the relevant authority. If the employer continues to fail to rectify the delinquent social insurance contribution payment within such stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue.

According to Regulations on Management of Housing Fund (《住房公積金管理條例》), promulgated in April 1999 and amended in March 2002 and March 2019, PRC enterprises must register with and be subject to review by housing fund administration centers with competent jurisdictions, and establish accounts of housing fund for their employees in entrusted banks. Enterprises are also obligated to pay and deposit housing fund in the full amount and in a timely manner. Each of the PRC enterprises and their employees are required to contribute to the housing fund and their respective deposits shall not be less than 5% of the individual employee's monthly average wage during the preceding year. Any enterprise that fails to make housing fund contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

Mainland China Taxation

Because virtually all of our business operations are in mainland China and we carry out these business operations through operating subsidiaries and joint ventures organized under PRC law, our PRC operations and our operating subsidiaries and joint ventures in mainland China are subject to PRC tax laws and regulations, which indirectly affect your investment in the Notes.

Our Operations in Mainland China

Our subsidiaries and joint ventures through which we conduct our business operations in mainland China are subject to PRC tax laws and regulations.

Enterprise Income Tax

Prior to the implementation of the EIT Laws (《企業所得稅法》), our PRC subsidiaries and joint ventures were generally subject to a 33% corporate income tax. Under the EIT Laws, effective from January 1, 2008, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises. The EIT Laws provide certain relief to enterprises that were established prior to March 16, 2007, including (1) continuing to enjoy the previous preferential income tax rate during a five-year transition period if such enterprises are entitled to preferential income tax rates before the effectiveness of the EIT Laws and (2) continuing to enjoy the preferential income tax rate until its expiry if such enterprises are entitled to tax holidays for a fixed period under the relevant laws and regulations. However, where the preferential tax treatment has not commenced due to losses or accumulated loss not being fully offset, such preferential tax treatment was deemed to commence from January 1, 2008. In addition, according to the implementation rules of the EIT Laws, dividends from PRC subsidiaries to their foreign corporate shareholders are subject to withholding tax at a rate of 10% unless any lower treaty rate is applicable. However, under the EIT Laws, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes, and are subject to PRC income tax on their worldwide income. Dividends from PRC subsidiaries to their foreign corporate shareholders that are treated as resident enterprises for the reason mentioned above will be excluded from such taxable worldwide income. Under the implementation rules of the EIT Laws, "de facto management bodies" are defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. There is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income Tax (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006 and applicable in Hong Kong to income derived in any year of assessment commencing on or after April 1, 2007 and in mainland China to any year commencing on or after January 1, 2007, a company incorporated in Hong Kong is subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more equity interest in each such PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary.

On March 6, 2009, SAT issued the Measures Dealing with Income Tax of Enterprise Engaged in Real Estate Development and Operation (《房地產開發經營業務企業所得稅處理辦法》) effective on January 1, 2008 and amended in June 2014 and June 2018, which specifically stipulates the rules regarding tax treatment of income and deduction of cost and fees, verification of calculated tax cost and tax treatment on certain matters of the real estate development enterprise according to the EIT Laws and its implementation rules.

On May 12, 2010, SAT promulgated the Notice on the Confirmation of Completion Conditions for Development of Products by Real Estate Development Enterprises (《關於房地產開發企業開發產品完工條件確認問題的通知》), which provides that a property will be deemed as completed when its delivery procedures (including move-in procedures) have commenced or when the property is in fact put in use. Real estate developers must conduct the settlement of costs in time and calculate the amount of corporate income tax for the current year.

Value-added Tax

Under the PRC Interim Regulation on Value-added Tax (中華人民共和國增值稅暫行條例) promulgated on December 13, 1993, as amended in November 2008, January 2011, February 2016, November 2017 and the Detailed Implementation Rules of the Interim Regulation of the PRC on Value-added Tax 2011 (中華人民共和國增值稅暫行條例實施細則) issued and implemented by the MOF on December 25, 1993, and as amended on December 15, 2008 and October 28, 2011, and pursuant to the Notice on Adjustment of VAT Rate (《關於調整增值稅稅率的通知》) (Cai Shui [2018] No.32) and Announcement on Matters Relating to the Deepening of VAT Reform (《關於深化增值稅改革有關事項的公告》) issued by MOF, SAT and General Administration of Customs on March 20, 2019, sales of goods or processing, repair and repair services, sales services, intangible assets, real estate and imported goods in China are subject to value-added tax, and the VAT rate for real estate sales is 9%.

Land Appreciation Tax

Under the PRC Interim Regulation on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) promulgated on December 13, 1993, amended on January 8, 2011, and its implementation rules promulgated and implemented on January 27, 1995, LAT applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting the "deductible items" that include the following:

- payments made to acquire land use rights;
- costs and charges incurred in connection with the land development;
- construction costs and charges in the case of newly constructed buildings and facilities;
- assessed value in the case of old buildings and facilities;
- taxes paid or payable in connection with the transfer of the land use rights, buildings or other facilities on such land; and
- other items allowed by the MOF.

The tax rate is progressive and ranges from 30% to 60% of the appreciation value as compared to the "deductible items" as follows:

Appreciation value	LAT rate
Portion not exceeding 50% of deductible items	30%
Portion over 50% but not more than 100% of deductible items	40%
Portion over 100% but not more than 200% of deductible items	50%
Portion over 200% of deductible items	60%

Exemptions from LAT are available in the following cases:

- taxpayers constructing ordinary residential properties for sale (i.e. the residences built in accordance with the local standard for residential properties used by the general population, excluding deluxe apartments, villas, resorts and other high-end premises), where the appreciation amount does not exceed 20% of the sum of deductible items;

- real estate taken over and repossessed according to laws due to the construction requirements of the state; and

- due to redeployment of work or improvement of living standards, transfers by individuals of originally self-used residential properties, with five years or longer of self-used residence and with tax authorities' approval.

According to a notice issued by the MOF and SAT in January 1995, the LAT regulation does not apply to the following transfers of land use rights:

- real estate transfer contracts executed before January 1, 1994; and

- first-time transfers of land use rights and/or premises and buildings during the five years commencing on January 1, 1994 if the land grant contracts were executed or the development projects were approved before January 1, 1994 and the capital has been injected for the development in compliance with the relevant regulations.

After the enactment of the LAT regulations and the implementation rules in 1994 and 1995, respectively, due to the long period of time typically required for real estate developments and their transfers, many jurisdictions, while implementing these regulations and rules, did not require real estate development enterprises to declare and pay the LAT as they did other taxes. Therefore, in order to assist the local tax authorities in the collection of LAT, the MOF, SAT, the Ministry of Construction and the State Land Administration Bureau separately and jointly issued several notices to reiterate that, after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the real estate is located and pay the LAT in accordance with the amount as calculated by the tax authority and within the time period as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority will not process the relevant title change procedures, and will not issue the property ownership certificates.

SAT issued a further Notice on Serious Handling of Administration of the Collection of Land Appreciation Tax (《關於認真做好土地增值稅徵收管理工作的通知》) in July 2002 to require local tax authorities to require prepayment of LAT on the basis of proceeds from pre-sale of real estate.

In December 2006, SAT issued a Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (《關於房地產開發企業土地增值稅清算管理 有關問題的通知》), which came into effect on February 1, 2007 and amended in June 2018. The notice required settlement of LAT liabilities by real estate developers. Provincial tax authorities are given authority to formulate their implementation rules according to the notice and their local situation.

To further strengthen LAT collection, in May 2009, SAT released the Rules on the Administration of the Settlement of Land Appreciation Tax (《土地增值稅清算管理規程》), which came into force on June 1, 2009.

On May 19, 2010, SAT promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement (《關於土地增值稅清算有關問題的通知》), which provides further clarifications and guidelines on LAT settlement, revenue recognition, deductible expenses, timing of assessment and other related issues.

On May 25, 2010, SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax (《關於加强土地增值稅徵管工作的通知》), which provides for a minimum LAT prepayment rate at 2% for provinces in the eastern China region, 1.5% for provinces in the central and north-eastern China regions, and 1% for provinces in the western China region. The notice also delegate to the local tax authorities the authority to determine the applicable LAT prepayment rates based on the types of the properties in their respective regions.

Pursuant to the Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers (《房地產開發企業銷售自行開發的房地產專案增值稅 增收管理暫行辦法》) issued on March 31, 2016 and implemented on May 1, 2016 and amended in June 2018 by SAT, the real estate developers which sell self-developed real estate projects shall pay the VAT. VAT is payable by taxpayers in the calendar month immediately following receipt of the presale proceeds of self-developed real estates in accordance with the following formula: VAT = prepayments ÷ (1+ applicable taxable rate or levy rate) X 3%. Where the method of general VAT taxation is applicable, the applicable taxable rate is 11%, and where the method of simplified VAT taxation is applicable, the levy rate is 5%.

Urban Land Use Tax and Buildings Tax

Pursuant to the PRC Interim Regulations on Land Use Tax (《中華人民共和國城鎮土地使用稅暫行條例》) in respect of Urban Land promulgated by the State Council in September 1988, amended on December 31, 2006, January 8, 2011, December 7, 2013 and March 2, 2019, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on urban land was between RMB0.6 and RMB30 per sq.m.

Under the PRC Interim Regulations on Buildings Tax (《中華人民共和國房產稅暫行條例》) promulgated by the State Council in September 1986, and amended on January 8, 2011, buildings tax applicable to domestic enterprises is 1.2% if it is calculated on the basis of the residual value of a building and 12% if it is calculated on the basis of the rental. On January 27, 2011, the governments of Shanghai and Chongqing municipalities respectively issued measures for implementing pilot individual property tax schemes which became effective on January 28, 2011.

According to the Notice on Issues Relating to Assessment of Buildings Tax against Foreign-invested Enterprises and Foreign Individuals (《關於對外資企業及外籍個人徵收房產稅有關問題的通知》) issued by the MOF and SAT in January 2009, the foreign-invested enterprises, foreign enterprises and foreign individuals are to be levied the same as domestic enterprises.

Stamp Duty

Under the PRC Interim Regulations on Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated by the State Council in August 1988 and amended on January 8, 2011, for property transfer instruments, including those in respect of property ownership transfers, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land use rights certificates, stamp duty is levied on an item-by-item basis of RMB5 per item.

Municipal Maintenance Tax

Under the Municipal Maintenance Tax Law of PRC (《中華人民共和國城市維護建設稅法》) promulgated by the Standing Committee of the NPC in August 2020, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax is required to pay municipal maintenance tax calculated on the basis of product tax, value-added tax and business tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) issued by the State Council on October 18, 2010, the municipal maintenance tax is applicable to foreign-invested enterprises, foreign enterprises and foreign individuals from December 1, 2010.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated by the State Council in April 1986 and amended on June 7, 1990, August 20, 2005 and January 8, 2011, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas Surcharge (《國務院關於籌措農村學校辦學經費的通知》). The Education Surcharge rate is 3% calculated on the basis of consumption tax, value-added tax and business tax. According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) issued by the State Council on October 18, 2010, the education surcharge will be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals since December 1, 2010.

Internet Finance

Under the Guiding Opinions on Promoting the Healthy Development of Internet Finance (《中國人民銀行、工業和資訊化部、公安部、財政部、工商總局、法制辦、銀監會、證監會、保監會、國家互聯網資訊辦公室關於促進互聯網金融健康發展的指導意見》) promulgated by the PBOC, MITT, MPS,

MOF, SAIC, SCLAO, CBRC, CSRC, CIRC, CAC on July 14, 2015, Internet finance is supported by Chinese government. Banks, securities company, insurance company, fund, trust, consumer finance and other financial institutions are encouraged to achieve transformation and upgrade of traditional financial business and service.

MANAGEMENT

Directors

Our Board of Directors currently consists of seven directors, three of which are independent directors. The Board of Directors is responsible for convening Shareholders' Meetings and reporting the board's work at the Shareholders' Meetings, implementing the resolutions passed at the Shareholders' Meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, and exercising other powers, functions and duties as conferred by our constitutional documents. The table below sets forth certain information regarding our directors as of the date of this offering memorandum:

Name	Birth Year	Position
Lin Junbo (林俊波)	1971	Chairlady of the Board of Directors
Zhao Weiqing (趙偉卿)	1959	Director and president
Huang Fang (黃芳)	1973	Director
Yu Difeng (虞迪鋒).	1971	Director, vice president and secretary of the Board of Directors
Xue Anke (薛安克)	1957	Independent director
Cai Jiamei (蔡家楣)	1946	Independent director
Xu Xiaodong (徐曉東)	1968	Independent director

Ms. Lin Junbo (林俊波), born in 1971, has been the chairlady of our Board of Directors since October 2012. Ms. Lin previously served as the secretary of the board of directors in Zhejiang Xinhu Venture Investment Co., Ltd. (浙江新湖創業投資股份有限公司), the general manager of Hangzhou Xinhu Meilizhou Real Estate Co., Ltd. (杭州新湖美麗洲置業有限公司), the vice president of Xinhu Holding Co., Ltd. (新湖控股有限公司) while she also served as the chairlady of the board of directors of Zhejiang Xinhu Real Estate Group Co., Ltd. (浙江新湖房地產集團有限公司). She was also our vice chairlady of our Board of Directors and the president before she became the chairlady of our Board of Directors. Ms. Lin holds a doctorate degree in economics and is a senior economist.

Mr. Zhao Weiqing (趙偉卿), born in 1959, has been our president since May 2007 and our director since July 2021. Mr. Zhao joined our Group in 1998, and had since served as the vice general manager and then the executive vice general manager of Zhejiang Xinhu Real Estate Group Co., Ltd. (浙江新湖房地產集團有限公司), the general manager of Shenyang Xinhu Real Estate Development Co., Ltd. (瀋陽新湖房地產開發有限公司), our vice president, and the vice chairman of our Board of Directors. Mr. Zhao holds a bachelor's degree.

Ms. Huang Fang (黃芳), born in 1973, has been our director since November 2015. Ms. Huang previously served as the deputy branch manager at Agricultural Bank of China, Hangzhou Baoshu Branch, when she was in charge of the overall management of that branch. She then managed different departments of Agricultural Bank of China, Zhejiang Branch, including the Sales Department, the International Business Department, Corporate Banking Department and Personal Banking Department. Ms. Huang also served as the vice president and the chief financial officer of Xinhu Holding Co., Ltd. (新湖控股有限公司), before she became our director. Ms. Huang is also currently a director, a vice president and the chief financial officer of the Xinhu Group. Ms. Huang holds a bachelor's degree.

Mr. Yu Difeng (虞迪鋒), born in 1971, has been our director since July 2021 and a vice president and the secretary of our Board of Directors since February 2008 and November 2007, respectively. Before joining our Group, Mr. Yu served as the deputy director of the Sales Department at Agricultural Bank of China, Zhejiang Branch and the vice president at Agricultural Bank of China, Hangzhou Jiefang Road Branch. Mr. Yu holds a doctorate degree in economics and is a certified public accountant in China.

Mr. Xue Anke (薛安克), born in 1957, has been our independent director since June 2018. Mr. Xue previously served as the vice principal and then principal of Hangzhou Dianzi University (杭州電子科技大學). Mr. Xue is also currently a professor at Hangzhou Dianzi University. Mr. Xue holds a doctorate degree.

Mr. Cai Jiamei (蔡家楣), born in 1946, has been our independent director since June 2018. Mr. Cai, now retired, previously served as a director of the laboratory, the vice department head, the deputy director of the Academic Affairs, the deputy dean and then the dean of the College of Information Engineering, and the dean of the College of Software, of Zhejiang University of Technology (浙江工業大學), the chairman of Zhejiang Software Industry Association (浙江省軟體行業協會) and the chairman of Zhejiang Computer Association (浙江省計算機協會). Mr. Cai holds a bachelor's degree.

Mr. Xu Xiaodong (徐曉東), born in 1968, has been our independent director since June 2018. Mr. Xu previously served as an associate professor at the Department of Accounting of Antai College of Economics and Management in Shanghai Jiaotong University (上海交通大學) and was previously a visiting scholar at Columbia University Business School. He is now a professor and a doctoral advisor at the Department of Accounting of Antai College of Economics and Management in Shanghai Jiaotong University. Mr. Xu holds a doctorate degree.

Supervisors

Our Board of Supervisors currently consists of three supervisors. The Board of Supervisors is responsible for monitoring our financial matters and overseeing the actions of the Board of Directors and the senior management. The table below sets forth certain information regarding our supervisors as of the date of this offering memorandum:

Name	Birth Year	Position
Jin Xuejun (金雪軍)	1958	Supervisor
Huang Licheng (黃立程)	1990	Supervisor
He Wei (何瑋)	1966	Employee representative supervisor

Mr. Jin Xuejun (金雪軍), born in 1958, has been the chairman of our board of supervisors since June 2018. Mr. Jin previously served as the deputy head of the Department of Economics, the deputy dean of the Faculty of Foreign Trade and Economics, the head of the Department of Economics and Finance, and the deputy dean of the Faculty of Economics, of Zhejiang University (浙江大學) and our independent director. Mr. Jin is also currently the head of the Asset Management Research Center of Zhejiang University and the executive dean of Public Policy Research Institute of Zhejiang Province (浙江大學公共政策研究中心). Mr. Jin is a doctoral advisor and a professor.

Mr. Huang Licheng (黃立程), born in 1990, has been our supervisor since November 2015. Mr. Huang previously served in the Investment Department of Xinhu Holding Co., Ltd. (新湖控股有限公司), and is currently the chairman of the board of directors of Shanghai Xinhu City Development Co., Ltd. (上海新湖城市開發有限公司), and the director and general manager of Shanghai Mabao Real Estate Development Co., Ltd. (上海瑪寶房地產開發有限公司).

Ms. He Wei (何瑋), born in 1966, has been our supervisor since July 2019. Ms. He worked at the human resource department of Wenzhou Post Office (溫州市郵政局). She has been an assistant to general manager of Hangzhou Xinhu Mingzhu Property Co., Ltd. (杭州新湖明珠置業有限公司). Ms. He obtained a bachelor's degree from Zhejiang Provincial Party Committee School (浙江省委黨校).

Senior Management

Our senior management is appointed by and answerable to the Board of Directors. The president is primarily responsible for implementing the decision of the Board of Directors regarding the management of our operations, implementing our annual business and investment plans, setting up the corporate governance structure and drafting detailed corporate protocols, and appointing and dismissing other senior management.

The table below sets forth certain information regarding members of our senior management as of the date of this offering memorandum:

Name	Birth Year	Position
Zhao Weiqing (趙偉卿)	1959	Director and president
Pan Xiaona (潘孝娜).	1975	Vice president and chief financial officer
Yu Difeng (虞迪鋒).	1971	Director, vice president and secretary of the Board of Directors

Mr. Zhao Weiqing (趙偉卿), see his bios in "— Directors".

Ms. Pan Xiaona (潘孝娜), born in 1975, has been our vice president and the chief financial officer since October 2012. Ms. Pan has extensive experience in corporate finance and has led us through many milestone events in our development, including our listing in June 1999, merger with Zhejiang Xinhu Venture Investment Co., Ltd. in September 2009 and substantial investment in Xiangcai Co., Ltd. (湘財股份有限公司) (600095.SH) since 2006. Since she joined our Group in 1998, Ms. Pan had served as the assistant manager and then the deputy manager of the Finance Department of Zhejiang Xinhu Real Estate Group Co., Ltd. (浙江新湖房地產集團有限公司), the general manager of Ningbo Jiayuan Industrial Development Co., Ltd. (寧波嘉源實業有限公司), the chief financial officer and the manager of the Finance Department of Zhejiang Xinhu Real Estate Group Co., Ltd. (浙江新湖房地產集團有限 公司), our director, vice president and chief financial officer. Ms. Pan holds a master's degree and is a senior accountant.

Mr. Yu Difeng (虞迪鋒), see his bios in "— Directors".

PRINCIPAL SHAREHOLDERS

The following table below sets forth shareholding information as of the date of this offering memorandum by principal shareholders known to us to directly own 5% or more of our total issued shares:

Name of shareholders	Number of shares held	Approximate percentage of direct share capital (%)
Xinhu Group	2,786,910,170	32.4[(1)]
Huang Wei	1,449,967,233	16.9[(2)]
Ningbo Jiayuan Industrial Development Co., Ltd. (寧波嘉源實業發展有限公司)	462,334,913	5.4[(3)]
Total	**4,699,212,316**	**54.7**

Notes:

(1) The Xinhu Group also indirectly owns 2.4% of our shares through its wholly owned subsidiary, Zhejiang Hengxingli Holding Group Co., Ltd. (浙江恒興力控股集團有限公司) and indirectly owns 5.4% of our shares through its 99%-owned subsidiary, Ningbo Jiayuan Industrial Development Co., Ltd. Together, the Xinhu Group directly and indirectly owns 40.2% of our total issued share capital. In addition, as Mr. Huang Wei, the Xinhu Group, Zhejiang Hengxingli Holding Group Co., Ltd., and Ningbo Jiayuan Industrial Development Co., Ltd. are persons acting in concert, they together control 57.1% of our total issued share capital.

(2) Mr. Huang Wei also owns 53.06% of the total issued shares of the Xinhu Group, and Ms. Li Ping, Mr. Huang Wei's spouse, owns 22.76% of the total issued shares of the Xinhu Group. As a result, Mr. Huang Wei and Ms. Li Ping directly and indirectly owns 38.2% and 9.1% of our total issued share capital, respectively through their interest in Xinhu Group. In addition, as Mr. Huang Wei, the Xinhu Group, Zhejiang Hengxingli Holding Group Co., Ltd., and Ningbo Jiayuan Industrial Development Co., Ltd. are persons acting in concert, they together control 57.1% of our total issued share capital.

(3) As Mr. Huang Wei, the Xinhu Group, Zhejiang Hengxingli Holding Group Co., Ltd., and Ningbo Jiayuan Industrial Development Co., Ltd. are persons acting in concert, they together control 57.1% of our total issued share capital.

Our principal shareholders do not have different voting rights.

RELATED PARTY TRANSACTIONS

We currently engage in, and expect from time to time in the future to engage in, financial and commercial transactions with our shareholders, joint ventures, associates and subsidiaries of our parent company. All such transactions are conducted on an arm's length and commercial basis and in accordance with the applicable listing rules.

See Section X of the notes to the Annual Financial Statements, respectively, included elsewhere in this offering memorandum.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

Generally, we fund our property projects and replenish our working capital with bank loans, financing agreements with other financial institutions, including trust companies and asset management companies, as well as proceeds from both onshore and offshore bond issuances. For the years ended December 31, 2018, 2019 and 2020, the weighted average effective interest rate on the aggregate outstanding amount of our indebtedness was 6.3%, 6.7% and 6.8%, respectively. As of December 31, 2020, our total outstanding indebtedness amounted to RMB53,997 million. Set forth below is a summary of the material terms and conditions of such material indebtedness and other obligations.

Bank Loans

We and certain of our subsidiaries have entered into loan agreements with local and offshore branches of various banks, including but not limited to Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China CITIC Bank, China Minsheng Bank, China Merchants Bank, SPD Bank, China Zheshang Bank, Bank of Shanghai and Huaxia Bank, the aggregate outstanding amount under these loans amounted to approximately RMB33,326 million, of which RMB7,738 million would become due within one year as of December 31, 2020. For the year ended December 31, 2020, the weighted average effective interest rate on the aggregate outstanding amount of our bank loans was 5.39% per annum. These loans are mainly used to fund our existing property projects and to replenish our working capital.

PRC Bank Loan Agreements

Interest

Approximately 70% of our PRC bank loans bear interest at floating rates calculated with reference to the loan prime rate (the "LPR"). Floating interest rates are generally subject to annual or quarterly review by the lending banks. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these loans with PRC banks, many of our subsidiary borrowers have agreed, among other things, not to take some of the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect their ability to repay their loans;
- granting guarantees to any third parties that may adversely affect their ability to repay their loans;
- making any major changes to their corporate structures, such as entering into joint ventures, mergers, acquisitions and reorganizations;
- altering the nature or scope of their business operations in any material respect;
- transferring part or all of their liabilities under the loans to a third party;

- prepaying the loans;
- declaring or paying dividends;
- selling or disposing of assets that may adversely affect their ability to repay their loans; and
- incurring other indebtedness that may adversely affect their ability to repay their loans.

Events of Default

The PRC loan agreements with banks contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval and material breach of the terms of the loan agreement. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with PRC banks in connection with some of the PRC loans, pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Further, all of these loans are secured by our assets which primarily include inventory, investment property, fixed assets and long-term equity investment.

Offshore Bank Facilities Agreements

Chiyu Term Loan Facility III

On April 21, 2021, Hong Kong Xinao Investment Limited, our wholly owned subsidiary, as the borrower, entered into a maximum amount of HKD150,000,000 term loan facility letter with Chiyu Banking Corporation Limited, as the lender (the "Chiyu Term Loan Facility III"). In connection with the Chiyu Term Loan Facility III, Hong Kong Xinhu Investment Co., Limited entered into a deed of charge over securities to mortgage its shares of China Zheshang Bank Co., Ltd. as security to secure its liabilities in favor of Chiyu Banking Corporation Limited on April 30, 2021. Hong Kong Xinao Investment Limited also entered into a deed of guarantee provided by the Guarantor with a guaranteed amount of HKD150,000,000. As of the date of this offering memorandum, we have utilized in an aggregate amount of HKD150,000,000 under the facility. We used the proceeds to replenish our working capital as well as refinance company's indebtedness. The interest on the facility drawn is charged at 2.92375% per annum.

Chiyu Term Loan Facility II

On February 20, 2021 Hong Kong Xinao Investment Limited, our wholly owned subsidiary, as the borrower, entered into a maximum amount of HKD200,000,000 term loan facility letter with Chiyu Banking Corporation Limited, as the lender (the "Chiyu Term Loan Facility II"). In connection with the Chiyu Term Loan Facility II, Hong Kong Xinhu Investment Co., Limited entered into a deed of charge over securities to mortgage its shares of China Greentown China Holdings Ltd. as security to secure its liabilities in favor of Chiyu Banking Corporation Limited on March 2, 2021. Hong Kong Xinao

Investment Limited also entered into a deed of guarantee provided by the Guarantor with a guaranteed amount of HKD200,000,000. As of the date of this offering memorandum, we have utilized in an aggregate amount of HKD200,000,000 under the facility. We used the proceeds to replenish our working capital as well as refinance company's indebtedness. The interest on the facility drawn is charged at 2.97589% per annum.

CNCBHK Term Loan Facility

On November 12, 2020, Hong Kong Xinhu Investment Co., Limited, our wholly owned subsidiary, as the borrower, entered into a maximum amount of U.S.$40,000,000 term loan facility letter with CNCB (Hong Kong) Investment Limited, as the lender (the "CNCBHK Term Loan Facility"). In connection with the CNCBHK Term Loan Facility, Hong Kong Xinhu Investment Co., Limited entered into a deed of charge over shares to mortgage its shares of Greentown China Holdings Ltd. as security to secure its liabilities in favor of CNCB (Hong Kong) Investment Limited on November 12, 2020. Hong Kong Xinhu Investment Co., Limited also entered into a keepwell deed provided by the Guarantor. As of the date of this offering memorandum, we have utilized in an aggregate amount of US$36,879,776 under the facility. We used the proceeds to replenish our working capital as well as refinance our indebtedness. The interest on the facility drawn is charged at 4.85375% per annum.

GTJA Margin Loan Facility

On August 13, 2020, Hong Kong Xinhu Investment Co., Limited, our wholly owned subsidiary, as the borrower, entered into a maximum amount of HKD800,000,000 uncommitted term loan facility letter with Guotai Junan Securities (Hong Kong) Limited, as the lender (the "GTJA Margin Loan Facility"). Pursuant to the GTJA Margin Loan Facility, we mortgaged shares of Citic Bank and shares of Greentown China Holdings Ltd. and may mortgage other securities subject to Guotai Junan Securities (Hong Kong) Limited's consent. In connection with the GTJA Margin Loan Facility, we also entered into a keepwell deed dated August 13, 2020 to provide keepwell undertaking in relation to the GTJA Margin Loan Facility in favor of Guotai Junan Securities (Hong Kong) Limited. As of the date of this offering memorandum, we have utilized in an aggregate amount of HKD800,000,000 under the GTJA Margin Loan Facility. We used the proceeds to maintain a continuing holding of listed securities, securities trading or refinancing of our existing margin loans. The interest on the facility drawn is charged at 3-month Hong Kong Interbank Offer Rate plus 310 basis points per annum, calculated everyday based on the actual loan amount and the foregoing loan interest rate and compounded at the end of every 3-month period.

Chiyu Term Loan Facility

On July 28, 2020, Hong Kong Xinhu Investment Co., Limited, our wholly owned subsidiary, as the borrower, entered into a maximum amount of HKD600,000,000 (or its equivalent in USD) term loan facility letter with Chiyu Banking Corporation Limited, as the lender (the "Chiyu Term Loan Facility"). In connection with the Chiyu Term Loan Facility, Hong Kong Xinhu Investment Co., Limited entered into a deed of charge over securities to mortgage its shares of China Greentown China Holdings Ltd. as security to secure its liabilities in favor of Chiyu Banking Corporation Limited on August 14, 2020. As of the date of this offering memorandum, we have utilized in an aggregate amount of US$76,400,000 under the facility. We used the proceeds to replenish our working capital as well as finance for our investment and/or repayment of indebtedness. The interest on the facility drawn is charged at 4.0% per annum.

ABCI Margin Loan Facility

On March 16, 2020, Hong Kong Xinhu Investment Co., Limited, our wholly owned subsidiary, as the borrower, entered into a maximum amount of US$50,000,000 uncommitted margin loan facility agreement with ABCI Securities Company Limited, as the lender. In connection with this facility agreement, Hong Kong Xinhu Investment Co., Limited also entered into a security deed dated March 16, 2020 to provide security to secure the liabilities of itself in favour of ABCI Securities Company Limited. The security provided pursuant to the security deed includes the margin account held by Hong Kong Xinhu Investment Co., Limited with ABCI Securities Company Limited shares of Greentown China Holdings Ltd. The use of proceeds for this facility is to finance the purchase of listed bonds and notes issued by the Company or listed bonds and notes issued by affiliates of the Company and guaranteed by the Company. The interest on the facility drawn is charged at 8.5% per annum. We have used the proceeds to purchase a portion of the 2020 March Offshore Notes. As of the date of this offering memorandum, we have utilized in an aggregate amount of US$30 million under the facility.

UBS Term Loan Facility Agreement

In August 2016, Total Partner Global Limited, our indirectly wholly-owned subsidiary, as borrower, entered into a maximum amount of HKD6,725,532,714.20 term loan facility agreement, which was amended and restated in June 2019, with UBS AG, London Branch and Deutsche Bank AG, London Branch acting jointly as calculation agent, UBS AG, London Branch, Deutsche Bank AG London Branch as original lenders with Citibank N.A., London Branch joined them in November 2020, UBS AG, London Branch acting as facility agent, and UBS AG, London Branch acting as security agent. The facility bears interest at floating rates. As of the date of this offering memorandum, we have utilized in aggregate HKD5,200,532,714 under the facility.

PRC Trust Financing Agreements

We and certain of our subsidiaries have also entered into various financing agreements with certain trust companies in the PRC. We, as the financing parties, entrust the trust companies to set up trust plans and obtain credit facilities from their investors. We use the funds provided by trust for our business operation, and are required to repay the principal and the agreed returns within the specified term of the trust plans. These trust financing agreements have terms ranging from 12 to 24 months, with a few extending to 60 months. As of December 31, 2020, the aggregate outstanding amount under these trust financing agreements amounted to approximately RMB861 million, of which RMB701 million would become due within one year. For the year ended December 31, 2020, the weighted average agreed returns of our PRC trust financing agreements was 10.7% per annum. These agreements are mainly used to fund our existing property projects and to replenish our working capital.

PRC Asset Management Financing Agreements

We and certain of our subsidiaries have also entered into various financing agreements with certain asset management companies in the PRC. We, as the financing parties, entrust the assets management companies to set up asset management plans and get credit facilities from their investors. We use the funds provided by asset management companies for our business operation, and are required to repay the principal and the agreed returns with the life of the asset management plans. These asset management financing agreements have terms ranging from one to three years, with a few extending to a term of five years. As of December 31, 2020, the aggregate outstanding amount under these asset management financing agreements amounted to approximately RMB4,992 million, of which RMB1,621 million would become due within one year. For the year ended December 31, 2020, the weighted average agreed returns of our PRC asset management financing agreements was 10.8% per annum. These agreements are mainly used to fund our existing property projects and to replenish our working capital.

Customer Guarantees

In line with the industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the mortgagee banks. As of December 31, 2020, the aggregate outstanding amount guaranteed was approximately RMB6,977 million. See "Business — Description of Our Business — Property Development — Project Development Process — Payment Arrangements."

Corporate Bonds and Asset-backed Securities

For December 31, 2020, the weighted average interest rate of our public corporate bonds was 8.29% per annum and the weighted average interest rate of our corporate bonds issued by way of private placements was 8.22% per annum. As of the date of this offering memorandum, we have issued ten PRC corporate bonds, under which an aggregate principal amount of RMB8.3 billion remains outstanding. Our subsidiaries also from time to time issue PRC corporate bonds guaranteed by us. Additionally, as of the date of this offering memorandum, we have seven offshore notes outstanding, namely the 2018 Offshore Notes, the 2019 March Offshore Notes, the 2019 June Offshore Notes, the 2020 March Offshore Notes, the 2020 April Offshore Bonds, the 2021 Jan Offshore Bonds and the 2021 May Offshore Bonds under which an aggregate principal amount of US$1,296 million remains outstanding. As of December 31, 2020, the aggregate outstanding amount of our public bonds amounted to approximately RMB11,629 million and the aggregate outstanding amount of our privately placed bonds amounted to approximately RMB3,188 million. Set forth below is a brief summary of our corporate bonds, medium-term notes and asset-backed securities:

PRC Corporate Bonds and Asset-backed Securities

Suzhou Xinhu Square Asset-backed Securities

In July 2021, we obtained a no-objection letter from the Shanghai Stock Exchange for our proposed issuance of RMB1.05 billion supply chain finance asset-backed securities.

On August 30, 2021, the "Xiangcai — Suzhou Xinhu Square Asset-backed Securities" was established by Xiangcai Co., Ltd. (湘財股份有限公司) (600095.SH) under our engagement, under which asset-backed securities with the aggregate principal amount of RMB1.05 billion were issued, consisting of A level prioritized asset-backed securities with a total principal amount of RMB660 million, B level prioritized asset-backed securities with a total principal amount of RMB340 million and subordinated asset-backed securities with a total principal amount of RMB50 million. The securities will be backed by properties of Suzhou Xinhu Square.

The A level prioritized asset-backed securities bear an expected interest at the rate of 6.50% per annum and are rated "AAA" by Dagong Global Credit Ratings Co., Ltd. (大公國際資信評估有限公司) with a term of 18 years. The B level prioritized asset-backed securities bear an expected interest at the rate of 6.80% per annum and are rated "AA+" by Dagong Global Credit Ratings Co., Ltd. (大公國際資信評估有限公司) with a term of 18 years. The RMB50 million subordinated asset-backed securities are not rated and do not bear any expected interest. For every two years, we may opt to adjust the coupon rate and the bondholders may opt to sell the A level asset-backed securities, B level asset-backed securities and subordinated asset-backed securities back to us.

2021 Xinhu Bonds 02

On August 10, 2021, we issued by way of public offering a principal amount of RMB1,000,000,000 of domestic corporate bonds for a term of four years (the "2021 Xinhu Bonds 02"). The 2021 Xinhu Bonds 02 bear interest at the rate of 7.75% per annum, payable 10 August each year. At the end of the second year, we may opt to adjust the coupon rate and the bondholders may opt to sell the 2021 Xinhu Bonds 02 back to us. The 2021 Xinhu Bonds 02 are secured by the shares of Xiangcai Co., Ltd. (湘財股份有限公司) (600095.SH) owned by Xinhu Holding Co., Ltd..

2021 Xinhu Bonds 01

On February 9, 2021, we issued by way of public offering a principal amount of RMB1,000,000,000 of domestic corporate bonds for a term of four years (the "2021 Xinhu Bonds 01"). The 2021 Xinhu Bonds 01 bear interest at the rate of 7.6% per annum, payable semi-annually in arrear on 9 February and 9 August each year. At the end of the second and half year, we may opt to adjust the coupon rate and the bondholders may opt to sell the 2021 Xinhu Bonds 01 back to us. The 2021 Xinhu Bonds 01 are secured by the shares of Xiangcai Co., Ltd. (湘財股份有限公司) (600095.SH) owned by Xinhu Holding Co., Ltd..

2020 Xinhu Bonds 01

On August 25, 2020, we issued by way of public offering the 2020 Xinhu Bonds 01. The 2020 Xinhu Bonds 01 bear interest at the rate of 7.9% per annum, payable in arrears on August 25 each year. At the end of the second year, we may opt to adjust the coupon rate and the bondholders may opt to sell the 2020 Xinhu Bonds 01 back to us. The 2020 Xinhu Bonds 01 are not guaranteed.

2019 Xinhu Bonds 03

On November 22, 2019, we issued by way of public offer the 2019 Xinhu Bonds 03 with a principal amount of RMB920,000,000 of domestic corporate bonds for a term of four years. The 2019 Xinhu Bonds 03 bear interest at the rate of 7.5% per annum, payable in arrears on November 22 each year. At the end of the second year, we may opt to adjust the coupon rate and the bondholders may opt to sell the 2019 Xinhu Bonds 03 back to us. The 2019 Xinhu Bonds 03 are not guaranteed.

2019 Xinhu Bonds 01

On September 6, 2019, we issued by way of public offer the 2019 Xinhu Bonds 01 with a principal amount of RMB750,000,000 of domestic corporate bonds for a term of four years. The 2019 Xinhu Bonds 01 bear interest at the rate of 7.5% per annum, payable in arrears on September 6 each year. At the end of the second year, we may opt to adjust the coupon rate and the bondholders may opt to sell the 2019 Xinhu Bonds 01 back to us. The 2019 Xinhu Bonds 01 are not guaranteed.

In September 2021, holders of an aggregate principal amount of RMB462,853,000 of the 2019 Xinhu Bonds 01 exercised the option to have their bonds repurchased by us. Accordingly, on September 6, 2021, we completed the repurchase of an aggregate principal amount of RMB462,853,000 of the 2019 Xinhu Bonds 01. The 2019 Xinhu Bonds 01 have not been cancelled as of the date of this Offering Memorandum and may be resold by us during the period from September 6, 2021 to October 13, 2021. On September 6, 2021, we exercised the option under the terms of the 2019 Zhongbao Bonds 01 to increase the coupon rate to 7.8% per annum.

2019 Lide Bonds (Phase I and Phase II)

On November 22, 2019, one of our subsidiaries in the operation of coastal land reclamation, namely Pingyang Lide Tideland Reclamation and Development Co., Ltd. (平陽縣利得海塗開發有限公司) issued by way of private placements two series of domestic corporate bonds (the “2019 Lide Bonds”). Both series are unconditionally and unequivocally guaranteed by us. The 2019 Lide Bonds have a principal amount of RMB1.6 billion and a term of 24 months and 23 months, respectively, and bears interest at the rate of 8.88% per annum, payable in arrears on November 22 in each year.

2018 Zhongbao Bonds (Phase II)

On September 10, 2018, we issued by way of private placement a principal amount of RMB1.8 billion of domestic corporate bonds for a term of four years (the “2018 Zhongbao Bonds (Phase II)”). The 2018 Zhongbao Bonds (Phase II) bear interest at the rate of 7.80% per annum, payable in arrears on September 10 in each year. At the end of the second year, we may opt to adjust the coupon rate and the bondholders may opt to sell the 2018 Zhongbao Bonds (Phase II) back to us. The 2018 Zhongbao Bonds (Phase II) are not guaranteed. We completed the repurchase of an aggregate principal amount of RMB645,000,000 of the 2018 Zhongbao Bonds (Phase II) in September 2020. We resold a portion of the repurchased 2018 Zhongbao Bonds (Phase II) in an amount of RMB83 million and the rest repurchased 2018 Zhongbao Bonds (Phase II) have been cancelled as of the date of this offering memorandum.

2018 Zhongbao Bonds (Phase I)

On March 23, 2018, we issued by way of private placement a principal amount of RMB500 million of the 2018 Zhongbao Bonds (Phase I) for a term of four years. The 2018 Zhongbao Bonds (Phase I) bear interest at the rate of 7.50% per annum, payable in arrears on March 23 in each year. At the end of the second year, we may opt to adjust the coupon rate and the bondholders may opt to sell the 2018 Zhongbao Bonds (Phase I) back to us. The 2018 Zhongbao Bonds (Phase I) are not guaranteed. On March 23, 2020, we exercised the option under the terms of the 2018 Zhongbao Bonds (Phase I) to increase the coupon rate to 7.6% per annum.

In February 2020, holders of an aggregate principal amount of RMB250,000,000 of the 2018 Zhongbao Bonds (Phase I) exercised the option to have their bonds repurchased by us. Accordingly, on March 23, 2020, we completed the repurchase of an aggregate principal amount of RMB250,000,000 of the 2018 Zhongbao Bonds (Phase I). The Repurchased 2018 Zhongbao Bonds (Phase I) have been cancelled.

17 Zhenan Education ZR001

On December 8, 2017, our wholly owned subsidiary, Zhejiang Xinhu International Education Investment Co., Ltd. issued by way of a private placement principal amount of RMB100 million of the 17 Zhenan Education ZR001 for a term of four years. The 17 Zhenan Education ZR001 bear interest at the rate of 6.40% per annum, payable in arrears on December 8 in each year. The 17 Zhenan Education ZR001 are not guaranteed.

The 2018 Offshore Notes

On December 20, 2018, we entered into the 2018 Indenture pursuant to which the Issuer issued the 2018 Offshore Notes, which were irrevocably and unconditionally guaranteed by us.

Interest

The 2018 Offshore Notes bear interest at a rate of 11.00% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2018 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of restricted subsidiaries;
- guarantee indebtedness by restricted subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

Events of Default

The 2018 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2018 Offshore Notes, when such payments become due, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2018 Indenture or the holders of at least 25% of the outstanding 2018 Offshore Notes may declare the principal of the 2018 Offshore Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain change of control events and a rating decline, we must make an offer to repurchase all outstanding 2018 Offshore Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Increased Interest and Repurchase at the Option of the Holders

We may increase the interest on the 2018 Offshore Notes for the period from and including December 20, 2020, to, but excluding, December 20, 2021. If we so elect, the 2018 Offshore Notes will bear such increased interest as designated by us in lieu of the stated interest on the 2018 Offshore Notes from and including December 20, 2020, to, but excluding, December 20, 2021.

Irrespective of whether we elect to increase the interest on the 2018 Offshore Notes or not, holders of the 2018 Offshore Notes have the right, at their option, to require the Issuer to repurchase for cash all of their 2018 Offshore Notes, or any portion of the principal thereof that is equal to US$200,000 and an integral multiple of US$1,000 in excess thereof, on December 20, 2020, at the repurchase price equal to 100% of the principal amount of the 2018 Offshore Notes to be repurchased, plus accrued and unpaid interest to, but excluding, December 20, 2020.

Maturity and Redemption

The maturity date of the 2018 Offshore Notes is December 20, 2021.

On December 20, 2020, we may redeem all or any part of the 2018 Offshore Notes, at a redemption price of 100% of the principal amount of the 2018 Offshore Notes redeemed plus accrued and unpaid interest, if any, on the 2018 Offshore Notes redeemed, to (but not including) the redemption date.

At any time prior to December 20, 2021, we may redeem the 2018 Offshore Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2018 Offshore Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to December 20, 2021, we may redeem up to 35% of the aggregate principal amount of the 2018 Offshore Notes at a redemption price of 111% of their principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock, subject to certain conditions.

At any time and from time to time prior to December 20, 2021, we may redeem the 2018 Offshore Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2018 Offshore Notes, together with accrued and unpaid interest (including any additional amounts), if any, to the redemption date if we would become obliged to pay certain additional amounts as a result of changes in certain tax laws, subject to certain exceptions.

On December 20, 2020, we repurchased in total an aggregate principal amount of US$14,900,000 of the 2018 Offshore Notes, which were subsequently cancelled. Immediately after our repurchase of the 2018 Offshore Notes, the outstanding principal amount of the 2018 Offshore Notes was US$225,100,000.

On September 13, 2021, we repurchased in total an aggregate principal amount of US$50,000,000 of the 2018 Offshore Notes, which will be subsequently cancelled. As of the date of this offering memorandum, the repurchased notes have not been cancelled. The outstanding principal amount of the 2018 Offshore Notes, immediately after the cancellation, will be US$175,100,000.

The 2019 March Offshore Notes

On March 14, 2019, we entered into the 2019 March Indenture pursuant to which the Issuer issued the 2019 March Offshore Notes, which were irrevocably and unconditionally guaranteed by us.

Interest

The 2019 March Offshore Notes bear interest at a rate of 11.00% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2019 March Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of restricted subsidiaries;
- guarantee indebtedness by restricted subsidiaries;
- sell assets;

- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

Events of Default

The 2019 March Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2019 March Offshore Notes, when such payments become due, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2019 March Indenture or the holders of at least 25% of the outstanding 2019 March Offshore Notes may declare the principal of the 2019 March Offshore Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain change of control events and a rating decline, we must make an offer to repurchase all outstanding 2019 March Offshore Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Increased Interest and Repurchase at the Option of the Holders

We may increase the interest on the 2019 March Offshore Notes for the period from and including March 14, 2021, to, but excluding, March 14, 2022. If we so elect, the 2019 March Offshore Notes will bear such increased interest as designated by us in lieu of the stated interest on the 2019 March Offshore Notes from and including March 14, 2021, to, but excluding, March 14, 2022.

Irrespective of whether we elect to increase the interest on the 2019 March Offshore Notes or not, holders of the 2019 March Offshore Notes have the right, at their option, to require the Issuer to repurchase for cash all of their 2019 March Offshore Notes, or any portion of the principal thereof that is equal to US$200,000 and an integral multiple of US$1,000 in excess thereof, on March 14, 2021, at the repurchase price equal to 100% of the principal amount of the 2019 March Offshore Notes to be repurchased, plus accrued and unpaid interest to, but excluding, March 14, 2021.

Maturity and Redemption

The maturity date of the 2019 March Offshore Notes is March 14, 2022.

On March 14, 2021, we may redeem all or any part of the 2019 March Offshore Notes, at a redemption price of 100% of the principal amount of the 2019 March Offshore Notes redeemed plus accrued and unpaid interest, if any, on the 2019 March Offshore Notes redeemed, to (but not including) the redemption date.

At any time prior to March 14, 2022, we may redeem the 2019 March Offshore Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2019 March Offshore Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to March 14, 2022, we may redeem up to 35% of the aggregate principal amount of the 2019 March Offshore Notes at a redemption price of 111.0% of their principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock, subject to certain conditions.

At any time and from time to time prior to March 14, 2022, we may redeem the 2019 March Offshore Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2019 March Offshore Notes, together with accrued and unpaid interest (including any additional amounts), if any, to the redemption date if we would become obliged to pay certain additional amounts as a result of changes in certain tax laws, subject to certain exceptions.

On March 14, 2021, we repurchased in total an aggregate principal amount of US$86,300,000 of the 2019 March Offshore Notes, which were subsequently cancelled. Immediately after our repurchase of the 2019 March Offshore Notes, the outstanding principal amount of the 2019 March Offshore Notes was US$188,700,000.

The 2019 June Offshore Notes

On June 12, 2019, we entered into the 2019 June Indenture pursuant to which the Issuer issued the 2019 June Offshore Notes, which were irrevocably and unconditionally guaranteed by us.

Interest

The 2019 June Offshore Notes bear interest at a rate of 11.00% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2019 June Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of restricted subsidiaries;

- guarantee indebtedness by restricted subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the restricted subsidiaries' ability to pay dividends,
- transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

Events of Default

The 2019 June Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2019 June Offshore Notes, when such payments become due, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2019 June Indenture or the holders of at least 25% of the outstanding 2019 June Offshore Notes may declare the principal of the 2019 June Offshore Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain change of control events and a rating decline, we must make an offer to repurchase all outstanding 2019 June Offshore Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Increased Interest and Repurchase at the Option of the Holders

We may increase the interest on the 2019 June Offshore Notes for the period from and including June 12, 2021, to, but excluding, June 12, 2022. If we so elect, the 2019 June Offshore Notes will bear such increased interest as designated by us in lieu of the stated interest on the 2019 June Offshore Notes from and including June 12, 2021, to, but excluding, June 12, 2022.

Irrespective of whether we elect to increase the interest on the 2019 June Offshore Notes or not, holders of the 2019 June Offshore Notes have the right, at their option, to require the Issuer to repurchase for cash all of their 2019 June Offshore Notes, or any portion of the principal thereof that is equal to US$200,000 and an integral multiple of US$1,000 in excess thereof, on June 12, 2021, at the repurchase price equal to 100% of the principal amount of the 2019 June Offshore Notes to be repurchased, plus accrued and unpaid interest to, but excluding, June 12, 2021.

Maturity and Redemption

The maturity date of the 2019 June Offshore Notes is June 12, 2022.

On June 12, 2021, we may redeem all or any part of the 2019 June Offshore Notes, at a redemption price of 100% of the principal amount of the 2019 June Offshore Notes redeemed plus accrued and unpaid interest, if any, on the 2019 June Offshore Notes redeemed, to (but not including) the redemption date.

At any time prior to June 12, 2022, we may redeem the 2019 June Offshore Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2019 June Offshore Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to June 12, 2022, we may redeem up to 35% of the aggregate principal amount of the 2019 June Offshore Notes at a redemption price of 111.0% of their principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock, subject to certain conditions.

At any time and from time to time prior to June 12, 2022, we may redeem the 2019 June Offshore Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2019 June Offshore Notes, together with accrued and unpaid interest (including any additional amounts), if any, to the redemption date if we would become obliged to pay certain additional amounts as a result of changes in certain tax laws, subject to certain exceptions.

On June 12, 2021, we repurchased an aggregate principal amount of US$64,600,000 of the 2019 June Offshore Notes upon bondholders' request in accordance with the 2019 Indenture, representing approximately 40.38% of the aggregate principal amount of the 2019 June Offshore Notes outstanding. As of the date of this offering memorandum, the repurchased notes have been cancelled and the outstanding principal amount of the 2019 June Offshore Notes is US$95,400,000.

The 2020 March Offshore Notes

On March 24, 2020, we entered into the 2020 March Offshore Indenture pursuant to which the Issuer issued the 2020 March Offshore Notes, which were irrevocably and unconditionally guaranteed by us.

Interest

The 2020 March Offshore Notes bear interest at a rate of 11.0% per annum. Interest is payable semi-annually in arrear in equal instalments on March 27 and September 27 in each year. The interest of the 2020 March Offshore Notes may be increased at the option of the Issuer from March 27, 2022 thereafter.

Covenants

Subject to certain conditions and exceptions, the 2020 March Offshore Notes contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

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

Events of Default

The 2020 March Offshore Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2020 March Offshore Notes, when such payments become due, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2020 March Offshore Indenture or the holders of at least 25% of the outstanding 2020 March Offshore Notes may declare the principal of the 2020 March Offshore Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain change of control events and a rating decline, we must make an offer to repurchase all outstanding 2020 March Offshore Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Increased Interest and Repurchase at the Option of the Holders

We may increase the interest on the 2020 March Offshore Notes for the period from and including March 27, 2022 to, but excluding, March 27, 2023. If we so elect, the 2020 March Offshore Notes will bear such increased interest as designated by us in lieu of the stated interest on the 2020 March Offshore Notes from and including March 27, 2022, to, but excluding, March 27, 2023.

Irrespective of whether we elect to increase the interest on the 2020 March Offshore Notes or not, holders of the 2020 March Offshore Notes have the right, at their option, to require us to repurchase the 2020 March Offshore Notes, in whole or in part, on March 27, 2022 at the repurchase price equal to 100% of the principal amount of the 2020 March Offshore Notes to be repurchased, plus accrued and unpaid interest to, but excluding, March 27, 2022.

Maturity and Redemption

The maturity date of the 2020 March Offshore Notes is March 27, 2023.

On March 27, 2022, we may redeem all or any part of 2020 March Offshore Notes, at a redemption price of 100% of the principal amount of the 2020 March Offshore Notes redeemed plus accrued and unpaid interest, if any, on the 2020 March Offshore Notes redeemed, to (but not including) the redemption date.

At any time prior to March 27, 2023, we may redeem the 2020 March Offshore Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2020 March Offshore Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to March 27, 2023, we may redeem up to 35% of the aggregate principal amount of the 2020 March Offshore Notes at a redemption price of 111.0% of their principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock, subject to certain conditions.

At any time and from time to time prior to March 27, 2023, we may redeem the 2020 March Offshore Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2020 March Offshore Notes, together with accrued and unpaid interest (including any additional amounts), if any, to the redemption date if we would become obliged to pay certain additional amounts as a result of changes in certain tax laws, subject to certain exceptions.

The 2020 April Offshore Bonds

On April 27, 2020, we entered into a trust deed (the "2020 April Trust Deed") pursuant to which we, through our wholly-owned subsidiary, Xinhu (Oversea) 2017 Investment Co., Ltd., issued the 2020 April Offshore Bonds, which are unconditionally and irrevocably guaranteed by us and have the benefit of a standby letter of credit provided by China Zheshang Bank Hangzhou Branch.

Interest

The 2020 April Offshore Bonds bear interest at a rate of 4.30% per annum. Interest is payable semi-annually in arrear in equal instalments on October 27 and April 27 in each year.

Events of Default

The terms and conditions of the 2020 April Offshore Bonds contain certain customary events of default, including default in the payment of principal, or of any premium, on the 2020 April Offshore Bonds, when such payments become due, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2020 April Trust Deed or the holders of at least 25% of the outstanding 2020 April Offshore Bonds may declare the principal of the 2020 April Offshore Bonds plus a premium and any accrued and unpaid interest to be immediately due and payable.

Redemption for Relevant Events

Upon the occurrence of a change of control event or a no registration event, the holders of the 2020 April Offshore Bonds will have a right to require us to redeem all, but not some only, of such holder's 2020 April Offshore Bonds at a purchase price equal to 100% of their principal amount plus any accrued and unpaid interest.

Maturity

The maturity date of the 2020 April Offshore Bonds is March 27, 2023.

The 2021 Jan Offshore Bonds

On January 28, 2021, we entered into a trust deed (the "2021 Jan Trust Deed") pursuant to which we, through our wholly-owned subsidiary, Xinhu (Oversea) 2017 Investment Co., Ltd., issued the 2021 Jan Offshore Bonds, which have the benefit of a keepwell deed provided by us.

Interest

The 2021 Jan Offshore Bonds bear interest at a rate of 7.50% per annum. Interest is payable January 28, 2021 and July 28, 2021 in arrears.

Events of Default

The terms and conditions of the 2021 Jan Offshore Bonds contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2021 Jan Offshore Bonds, when such payments become due, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2021 Jan Trust Deed or the holders of at least 25% of the outstanding 2021 Jan Offshore Bonds may declare the principal of the 2021 Jan Offshore Bonds plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain change of control events and a rating decline, we must make an offer to repurchase all outstanding 2021 Jan Offshore Bonds at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2021 Jan Offshore Bonds is January 27, 2022.

At any time and from time to time prior to January 27, 2022, we may redeem the 2021 Jan Offshore Bonds, in whole but not in part, at a redemption price equal to 100% of the principal amount of 2021 Jan Offshore Bonds, together with accrued and unpaid interest (including any additional amounts), if any, to the redemption date if we would become obliged to pay certain additional amounts as a result of changes in certain tax laws, subject to certain exceptions.

The 2021 May Offshore Bonds

On May 21, 2021, we entered into a trust deed (the "2021 May Trust Deed") pursuant to which we, through our wholly-owned subsidiary, Xinhu (Oversea) 2017 Investment Co., Ltd., issued the 2021 May Offshore Bonds, which have the benefit of a keepwell deed provided by us.

Interest

The 2021 May Offshore Bonds bear interest at a rate of 6.0% per annum. Interest is payable November 18, 2021 and May 17, 2021 in arrears.

Events of Default

The terms and conditions of the 2021 May Offshore Bonds contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2021 May Offshore Bonds, when such payments become due, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2021 May Trust Deed or the holders of at least 25% of the outstanding 2021 May Offshore Bonds may declare the principal of the 2021 May Offshore Bonds plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain change of control events and a rating decline, we must make an offer to repurchase all outstanding 2021 May Offshore Bonds at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2021 May Offshore Bonds is May 17, 2022.

At any time and from time to time prior to May 17, 2022, we may redeem the 2021 May Offshore Bonds, in whole but not in part, at a redemption price equal to 100% of the principal amount of 2021 May Offshore Bonds, together with accrued and unpaid interest (including any additional amounts), if any, to the redemption date if we would become obliged to pay certain additional amounts as a result of changes in certain tax laws, subject to certain exceptions.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "Issuer" refers only to Xinhu (BVI) 2018 Holding Company Limited (新湖(BVI)2018控股有限公司) and any successor obligor on the Notes, and not to any of its Subsidiaries, and the term "Parent Guarantor" refers only to Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司) and not to any of its Subsidiaries (the "Parent Guarantor"). The Parent Guarantor's guarantee of the Notes is referred to as the "Parent Guarantee."

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of the Original Issue Date, among the Issuer, the Parent Guarantor and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司), as trustee (the "Trustee", which expression shall include any successor).

The following is a summary of certain provisions of the Indenture, the Notes and the Parent Guarantee. This summary does not purport to be complete and is subject to and qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Parent Guarantee. It does not restate those documents in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection upon prior written request and proof of holding to the satisfaction of the Trustee, during usual business hours on or after the Original Issue Date at the corporate trust office of the Trustee at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

Brief Description of the Issuer

The Issuer:

- is a special-purpose financing vehicle established to issue the Notes; and

- has no operating activities other than acting as issuer of Indebtedness, including the Notes.

The Issuer does not have any operating activities or revenue. See "Risk Factors — Risks Relating to the Notes and the Parent Guarantee — The Issuer is a special-purpose finance vehicle and payments with respect to the Notes are dependent upon cash flow from other members of our Group."

Brief Description of the Notes

The Notes are:

- general obligations of the Issuer;

- senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;

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

- guaranteed by the Parent Guarantor on a senior basis, subject to the limitations described below under the caption "— The Parent Guarantee" and in "Risk Factors — Risks Relating to the Notes and the Parent Guarantee";

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

- effectively subordinated to all existing and future obligations of the Parent Guarantor's Subsidiaries.

The Notes will mature on September 28, 2024, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 11.0% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on March 28 and September 28 of each year (each an "Interest Payment Date"), commencing March 28, 2022. Interest on the Notes will be paid to Holders of record at the close of business on March 13 or September 13 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Note 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 December 25 and January 1. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under "Optional Redemption," "Redemption for Taxation Reasons" and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Issuer or the Parent Guarantor).

In any case in which the date of the payment of principal of, premium (if any) on or interest on the Notes is not a Business Day, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer, the Paying Agent or the Note Registrar (as defined herein) may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Issuer at the office or agency of the Issuer maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at 20/F CCB Tower, 3 Connaught Road Central, Central, Hong Kong), and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, at the option of the Issuer, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

As of the date of the Indenture, all of the Parent Guarantor's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the Parent Guarantor will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Parent Guarantor's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture.

The Parent Guarantee

The Parent Guarantee:

- is a general obligation of the Parent Guarantor;
- is effectively subordinated to all existing and future secured obligations of the Parent Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all existing and future obligations of the Parent Guarantor expressly subordinated in right of payment to the Parent Guarantee;
- ranks at least *pari passu* with all other unsecured and unsubordinated Indebtedness of the Parent Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- is effectively subordinated to all existing and future obligations of the Parent Guarantor's Subsidiaries.

Under the Indenture and any supplemental indenture to the Indenture, as applicable, the Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Parent Guarantor will (1) agree that its obligations under the Parent Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture (other than in respect of the Parent Guarantee) and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Parent Guarantee.

Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Parent Guarantee will be reinstated with respect to such payment as though such payment had not been made. All payments under the Parent Guarantee are required to be made in U.S. dollars.

Release of the Parent Guarantee

The Parent Guarantee may be released in certain circumstances, including:

- upon repayment in full of the Notes; and
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge."

Registration of the Parent Guarantee

Guarantees of foreign indebtedness arising from offshore bond issuances by a PRC-incorporated entity are subject to registration by the State Administration of Foreign Exchange of the PRC (the "SAFE"). The Parent Guarantor understands that:

(i) under its governing law, the Parent Guarantee will be the legal, valid and binding obligations of the Parent Guarantor upon execution;

(ii) under PRC law, the Parent Guarantor is required to register the Parent Guarantee of the Notes with the Jiaxing Branch of SAFE (the "Jiaxing Branch") as soon as possible and in any event before the date that is 15 Jiaxing Business Days after the execution of the Parent Guarantee of the Notes on the Original Issue Date. The Parent Guarantor can perform its obligations under the Parent Guarantee only upon the completion of administrative registration procedures with the Jiaxing Branch. The enforceability of the Parent Guarantee is subject to certain risks. See "Risk Factors — Risks Relating to the Notes and the Parent Guarantee — The Parent Guarantee may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Parent Guarantee"; and

(iii) the Parent Guarantee will cover all sums due under the Notes (including any principal, premium if any, interest and related financial obligations).

Under the Indenture, upon completion of registration of the Parent Guarantee with the Jiaxing Branch, the Parent Guarantor is required to deliver to the Trustee an Officers' Certificate attaching a copy of the relevant certificate of registration from the Jiaxing Branch and certifying that such copy is a true and correct copy. If such registration is not completed by 120 Jiaxing Business Days after the closing date of the offering, the Issuer will be required under the Indenture to make an offer to repurchase all of the Notes at a price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest to but excluding the date of repurchase, as described below under "— Repurchase upon a SAFE Noncompliance Event."

The Parent Guarantor intends to register the Parent Guarantee as soon as reasonably practicable after the closing date of the offering.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Issuer may, from time to time, without notice to or the consent of the Holders, create and issue additional notes (the "Additional Notes") having the same terms and conditions as the Notes (including the benefit of the Parent Guarantee) in all respects (or in all respects except for the issue date, issue price, the date of first payment of interest on them, the timing for complying with NDRC post issue filing and, to the extent necessary, certain temporary securities law transfer restrictions and any limitations associated with the registration of the Parent Guarantee with the Jiaxing Branch and any related rights of the Holders of Additional Notes set forth under "— Repurchase upon a SAFE Noncompliance Event") (a "Further Issue") so that such Additional Notes may be consolidated and form a single series with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that (a) the issuance of any such Additional Notes shall then be permitted under the "Limitation on Indebtedness and Preferred Stock" covenant described below; (b) that the "Original Issue Date" as used under "— Repurchase upon a SAFE Noncompliance Event" with respect to such Additional Notes shall be deemed to mean the issue date of the applicable Further Issue; (c) that such tranche of Additional Notes shall be assigned a temporary ISIN, Common Code or other identifying number until the SAFE Completion Event (as defined below) has occurred with respect to such Additional Notes; and (d) until the SAFE Completion Event has occurred with respect to such Additional Notes, such Additional Notes will not be consolidated or form a single series with the previously outstanding Notes or vote together as one class on matters with respect to the Notes; provided further that if such Additional Notes are issued within 15 Jiaxing Business Days after the Original Issue Date and the Parent Guarantor registers the Parent Guarantee of both the Notes and the Additional Notes with the Jiaxing Branch together, the Issuer may at its option elect that the "Original Issue Date" as used under the "Repurchase upon a SAFE Noncompliance Event" for purposes of such Additional Notes shall continue to mean the Original Issue Date, in which case such Additional Notes may be assigned an ISIN, Common Code or other identifying number as that of the Notes, and that such Additional Notes may be consolidated to form a single series with the Notes upon issuance. In connection with any such issuance of Additional Notes, the Issuer shall deliver an Officers' Certificate to the Trustee directing the Trustee to authenticate and deliver Additional Notes in an aggregate principal amount specified therein and the Trustee, in accordance with such Officers' Certificate, shall authenticate and deliver such Additional Notes.

Prior to the time such tranche of Additional Notes may be consolidated to form a single series with the previously outstanding Notes, such tranche of Additional Notes shall have a temporary ISIN and Common Code and be represented by the temporary Global Note substantially in the form set out in the Indenture (the "Temporary Global Note"), which shall bear a legend as set forth below:

"THIS IS A TEMPORARY GLOBAL NOTE. THIS TEMPORARY GLOBAL NOTE MAY BE EXCHANGED BY THE TRUSTEE, UPON RECEIPT OF THE SAFE COMPLETION CERTIFICATE WITH RESPECT TO SUCH ADDITIONAL NOTES ON OR PRIOR TO THE SAFE NONCOMPLIANCE EVENT OCCURRENCE DATE AND WITHOUT THE CONSENT OF THE HOLDERS, FOR A PERMANENT GLOBAL NOTE PURSUANT TO THE INDENTURE."

The Trustee shall, upon receipt of the SAFE Completion Certificate with respect to such tranche of Additional Notes in the form set out in the Indenture, and without the consent of the Holders, exchange the Temporary Global Note for a permanent Global Note (the "Permanent Global Note") substantially in the form set out in the Indenture, except for the first interest payment day and issue date, which shall have the same ISIN and Common Code as the previously outstanding Notes. The Parent Guarantee endorsed on the Temporary Global Note shall, upon such exchange, be endorsed on the Permanent Global Note.

In addition, the issuance of any Additional Notes by the Issuer will be subject to the following conditions:

- the Additional Notes shall be guaranteed under the Indenture and the Parent Guarantee, to the same extent and on the same basis as the Notes outstanding on the date the Additional Notes are issued; and

- the Issuer shall have delivered to the Trustee an Officers' Certificate, in form and substance satisfactory to the Trustee, confirming that the issuance of the Additional Notes complies with the Indenture and is permitted by the Indenture.

Optional Redemption

On September 28, 2023, being the Settlement Date, the Issuer may redeem all or any part of the Notes, at a redemption price of 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest, if any, on the Notes redeemed, to (but not including) the redemption date.

At any time prior to September 28, 2024, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

At any time and from time to time prior to September 28, 2024, the Issuer may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of the Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 111.0% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

Except for the optional redemption described in the first paragraph under the caption "— Optional Redemption", in which case the Issuer will give not less than 30 days' nor more than 45 days' notice of the optional redemption to the Holders and the Trustee, the Issuer will give not less than 30 days' nor more than 60 days' notice of any other optional redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any recognized securities exchange or held through a clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed or the requirement of the clearing system; or

(2) if the Notes are not listed on any recognized securities exchange or held through a clearing system, on a pro rata basis, unless otherwise required by applicable law.

To exercise the redemption right described in the first paragraph under the caption "— Optional Redemption", the Issuer must deliver a written redemption notice to the Trustee and all Holders stating:

- the portion of the principal amount of Notes to be redeemed, which must be US$200,000 and any integral multiple of US$1,000 thereof, provided that the Notes to be repurchased by the Issuer at the option of the Holders as described in the second paragraph under the caption "— Increased Interest; Repurchase of Notes at the Option of the Holders", if any, are deemed to be not redeemable by the Issuer pursuant to such redemption right described in the first paragraph under the caption "— Optional Redemption",

- the redemption price (being 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the Settlement Date);

- the Settlement Date;

After the Issuer provides written redemption notice, such notice is irrevocable.

No Note of US$200,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

Increased Interest; Repurchase of Notes at the Option of the Holders

The Indenture will provide that, to the extent the Issuer elects by written notice to the Trustee and all Holders as described below, the Issuer may, at its sole discretion, increase the interest on the Notes for the period from and including the Settlement Date to, but excluding, the Maturity Date. If the Issuer so elects, the Notes will bear such increased interest as designated by the Issuer in lieu of the stated interest on the Notes from and including the Settlement Date to, but excluding, the Maturity Date. Interest on the Notes prior to, but excluding, the Settlement Date shall not be affected by any increased interest elected by the Issuer pursuant to the provisions under this "— Increased Interest; Repurchase of Notes at the Option of the Holders."

Irrespective of whether the Issuer elects to increase the interest on the Notes as described in the preceding paragraph or not, Holders of the Notes have the right, at their option, to require the Issuer to repurchase for cash all of their Notes, or any portion of the principal thereof that is equal to US$200,000 and an integral multiple of US$1,000 in excess thereof, on the Settlement Date at the repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the Settlement Date; provided that any such accrued and unpaid interest will be paid on the Settlement Date to the Holder of record at the close of business on the immediately preceding Record Date.

If the Issuer elects to increase the interest, on or before the 75th day prior to the Settlement Date, the Issuer will provide to the Trustee and all Holders a written notice stating, among other things:

- the Issuer has elected to increase the interest on the Notes, and the increased interest per US$1,000 principal amount of the Notes that the Issuer has elected to pay in lieu of the stated interest on the Notes from and including the Settlement Date to, but excluding, the Maturity Date, as described above; and

- the period on which a Holder may exercise the repurchase right under the caption "— Increased Interest; Repurchase of Notes at the Option of the Holders", which is beginning on the date that is the 60th day prior to the Settlement Date until, but excluding, the 45th day prior to the Settlement Date;

- the repurchase price (including the accrued and unpaid interest to, but excluding, the Settlement Date) per US$1,000 of principal amount of the Notes and, separately, the accrued and unpaid interest to, but excluding, the Settlement Date per US$1,000 of principal amount of the Notes;

- the Settlement Date;

- the names and addresses of the Trustee and the Paying Agent.

If the Issuer elects not to increase the interest, on or before the 75th day prior to the Settlement Date, the Issuer will provide to the Trustee and all Holders a written notice stating, among other things:

- the Issuer has elected not to increase the interest on the Notes;

- the period on which a Holder may exercise the repurchase right under the caption "— Increased Interest; Repurchase of Notes at the Option of the Holders", which is beginning on the date that is the 60th day prior to the Settlement Date until, but excluding, the 45th day prior to the Settlement Date;

- the repurchase price (including the accrued and unpaid interest to, but excluding, the Settlement Date) per US$1,000 of principal amount of the Notes and, separately, the accrued and unpaid interest to, but excluding, the Settlement Date per US$1,000 of principal amount of the Notes;

- the Settlement Date;

- the names and addresses of the Trustee and the Paying Agent.

After the Issuer provides written notice to elect to increase the interest or elect not to increase the interest, such election is irrevocable.

To exercise the repurchase right on the Settlement Date, a Holder must deliver a written repurchase notice to the Trustee and the Paying Agent during the period beginning on the date that is the 60th day prior to the Settlement Date until, but excluding, the 45th day prior to the Settlement Date. The Trustee will notify the Issuer of the Holders' repurchase notice as soon as practicable. Each repurchase notice must state:

- if individual definitive notes in certificated form have been issued, the certificate numbers of the Notes or, if not issued, the notice must comply with appropriate clearing system procedures;

- the Settlement Date;

- the repurchase price (being 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the Settlement Date);

- the portion of the principal amount of Notes to be repurchased, which must be US$200,000 and any integral multiple of US$1,000 thereof; and

- that the Notes are to be repurchased by the Issuer pursuant to the applicable provisions of the Notes and the Indenture.

Holders may not withdraw any repurchase notice (in whole or in part) after such notice is delivered to the Trustee and the Paying Agent.

Holders must either effect book-entry transfer according to appropriate clearing system procedures, or deliver the individual definitive notes, together with necessary endorsements, to the office of the Paying Agent together with the delivery of the repurchase notice to receive payment of the repurchase price.

The Issuer will be required to repurchase the Notes on the later of (i) the Settlement Date and (ii) the time of book-entry transfer or the delivery of the Notes to be repurchased. If the Paying Agent holds money sufficient to pay the repurchase price of the Notes on the Settlement Date, then, with respect to the Notes that have been properly specified for repurchase to the Paying Agent:

- the Notes will cease to be outstanding and, interest will cease to accrue (whether or not book-entry transfer of the Notes is made or whether or not the individual definitive note is delivered to the Paying Agent); and

- all other rights of the Holder will terminate (other than the right to receive the repurchase price).

No Notes may be repurchased at the option of Holders on the Settlement Date if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from a default by the Issuer or any Guarantor in the payment of the repurchase price with respect to such Notes).

A holder of Notes will have no right to require the Issuer to repurchase portions of Notes if it would result in the issuance of Notes, representing the portion not repurchased, in an amount of less than US$200,000. The Issuer will comply, to the extent applicable, with the requirements of applicable securities laws or regulations in connection with the repurchase of the Notes pursuant to this covenant. Our ability to satisfy our repurchase obligations may be affected by the factors described in "Risk Factors — Risks Relating to the Notes — The Issuer may not be able to repurchase the Notes at the option of the Holders of the Notes." If we fail to repurchase the Notes when required, we will be in default under the Indenture.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Issuer or the Parent Guarantor will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

Each of the Issuer and the Parent Guarantor has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Issuer and the Parent Guarantor, it is important to note that if the Issuer or the Parent Guarantor, as the case may be, is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Issuer's or the Parent Guarantor's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain debt instruments of the Parent Guarantor and its Subsidiaries. Future debt of the Parent Guarantor and its Subsidiaries may also (1) prohibit the Issuer or the Parent Guarantor from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Issuer or the Parent Guarantor to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Issuer or the Parent Guarantor. The Issuer's or the Parent Guarantor's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Issuer's and the Parent Guarantor's then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes and the Parent Guarantee — We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The phrase "all or substantially all", as used with respect to the assets of the Parent Guarantor in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Parent Guarantor has occurred.

Notwithstanding the above, the Issuer or the Parent Guarantor will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner within the same time frame and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer or the Parent Guarantor and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

None of the Trustee and the Agents (as defined herein) shall be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to the occurrence of a Change of Control Triggering Event has occurred or may occur and shall not be liable to any person for any failure to do so. Each of the Trustee and the Agents shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer. None of the Trustee and the Agents shall be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. None of the Trustee and the Agents shall be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. None of the Trustee and the Agents shall be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require the Issuer or the Parent Guarantor to purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Parent Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer, the Parent Guarantor or a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC, or the jurisdiction through which payments are made or any political subdivision or taxing authority thereof or therein (each, "Taxing Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer, the Parent Guarantor or a

Surviving Person, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note, and the Taxing Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under the Parent Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer, the Parent Guarantor or a Surviving Person, addressed to the Holder, to provide information concerning such Holder's or its beneficial owner's nationality, residence, identity or connection with any Taxing Jurisdiction, if and to the extent that due and timely compliance with such request required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Taxing Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing such an intergovernmental agreement or FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under the Parent Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Each Holder, by accepting the Notes agrees, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the offering of the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Notwithstanding any other provision of the Indenture, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "FATCA Withholding"). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

The Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent or Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent or the Trustee in accordance with the Indenture.

Repurchase upon a SAFE Noncompliance Event

Upon completion by the Parent Guarantor of registration of the Parent Guarantee for the Notes with the Jiaxing Branch, the Parent Guarantor will be required to deliver to the Trustee an Officers' Certificate in a form set forth in the Indenture attaching a copy of the relevant certificate of registration from the Jiaxing Branch and certifying that such copy is true and correct (such registration and delivery of an Officers' Certificate attaching the Jiaxing Branch certificate referred to collectively as the "SAFE Completion Event"). If, on the date that is 120 Jiaxing Business Days after the Original Issue Date, the SAFE Completion Event shall not have occurred (such nonoccurrence, a "SAFE Noncompliance Event"), the Issuer will be required to make an offer to repurchase all of the Notes at a price in cash equal to 100% of the principal amount of the Notes repurchased, plus accrued and unpaid interest on the principal amount of the Notes being repurchased to but excluding the date of repurchase (a "SAFE Noncompliance Offer").

Within 10 calendar days following a SAFE Noncompliance Event, the Issuer will be required to give written notice of the SAFE Noncompliance Offer to the Trustee and the Holders of the Notes offering to repurchase all of the Notes on the date specified in the notice, which date will be no earlier than 25 calendar days and no later than 35 calendar days from the date such notice is given. See "Risk Factors — Risks Relating to the Notes and the Parent Guarantee — The Issuer or we may not be able to redeem the Notes upon the occurrence of a SAFE Noncompliance Event."

A holder of Notes will have no right to require the Issuer to repurchase portions of Notes if it would result in the issuance of Notes, representing the portion not repurchased, in an amount of less than US$200,000. The Issuer will comply, to the extent applicable, with the requirements of applicable securities laws or regulations in connection with the repurchase of the Notes pursuant to this covenant.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Issuer or a Surviving Person, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Issuer or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Taxing Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (or in the case of an official position, is announced) with respect to the Issuer or the Parent Guarantor, on or after the date of the final Offering Memorandum relating to the issue of the Notes, with respect to any payment due or to become due under the Notes or the Indenture, the Issuer, or the Parent Guarantor or a Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Issuer or the Parent

Guarantor or a Surviving Person, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Parent Guarantor or a Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or the Parent Guarantor or such Surviving Person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change, amendment, or stating of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer or the Parent Guarantor or such Surviving Person, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment, or stating of an official position referred to in the prior paragraph.

The Trustee shall and is entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders, and will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion.

Any Notes that are redeemed for tax reasons will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(1) The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Parent Guarantor will not permit any Restricted Subsidiary to issue Preferred Stock, provided that each of the Parent Guarantor and any Finance Subsidiary may Incur Indebtedness (including Acquired Indebtedness), and the Issuer may issue Additional Notes, and any Restricted Subsidiary (other than any Finance Subsidiary) may Incur Permitted Subsidiary Indebtedness or Public Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.5 to 1.0 with respect to any Incurrence of Indebtedness.

    Notwithstanding the foregoing, the Parent Guarantor will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Issuer or the Parent Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Parent Guarantor and any Restricted Subsidiary, to the extent provided below, may Incur each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes) and the Parent Guarantee;

(b) any Pari Passu Guarantees;

(c) Indebtedness of the Parent Guarantor or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (2)(d) of this covenant; provided that such Indebtedness of Restricted Subsidiaries (other than any Finance Subsidiary) shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and (d), (f), (g) and (m) below);

(d) Indebtedness of the Parent Guarantor or any Restricted Subsidiary or Preferred Stock of any Restricted Subsidiary owed to the Parent Guarantor or any Restricted Subsidiary; provided that (i) any event which results in (x) any Restricted Subsidiary to which such Indebtedness is owed ceasing to be a Restricted Subsidiary or (y) any subsequent transfer of such Indebtedness (other than to the Parent Guarantor or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Issuer is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, and if the Parent Guarantor is the obligor on such Indebtedness, and none of the Issuer and the Parent Guarantor is the obligee, such Indebtedness must be unsecured and (other than any intercompany loan from a Finance Subsidiary) expressly subordinated in right of payment to the Parent Guarantee and (iii) if the Indebtedness is owed to the Issuer or the Parent Guarantor, such Indebtedness must be evidenced by an unsubordinated loan agreement or a similar instrument under applicable law;

(e) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (n), (p), (q), (r), (t), (u), (v) or (w) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); provided that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or the Parent Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or the Parent Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or the Parent

Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or the Parent Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or the Parent Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or the Parent Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced and (iii) in no event may Indebtedness of the Issuer or the Parent Guarantor be refinanced pursuant to this clause (e) by means of any Indebtedness of any Restricted Subsidiary (other than Indebtedness of a Finance Subsidiary which is guaranteed by the Parent Guarantor); *provided further* that the repayment, redemption or discharge of an old Project Debt may be classified as being "refinanced" within the meaning of this clause (e) by a new Project Debt Incurred within 180 days after the repayment, redemption or discharge of such old Project Debt;

(f) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Parent Guarantor or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(g) Pre-Registration Mortgage Guarantees by the Parent Guarantor or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Parent Guarantor or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Parent Guarantor or a Restricted Subsidiary in the Permitted Business; provided that in the case of sub-clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (h) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred or issued pursuant to clauses (p), (q), (r), (t), (v) and (w) and the refinancings thereof, but excluding any Contractor Guarantee or guarantee

Incurred under any such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;

(i) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(j) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Parent Guarantor or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Parent Guarantor or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Indebtedness in the nature of such guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided that such Indebtedness is extinguished within five Business Days of Incurrence;

(m) Guarantees by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary or the Parent Guarantor that was permitted to be Incurred under another provision of this covenant, to the extent permitted under the "Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(n) Indebtedness of the Parent Guarantor or any Restricted Subsidiary with a maturity of one year or less used by the Parent Guarantor or any Restricted Subsidiary for working capital; provided that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding (together with refinancings thereof) does not exceed US$30 million (or the Dollar Equivalent thereof);

(o) Indebtedness of the Parent Guarantor or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Restricted Subsidiary pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Parent Guarantor or such Restricted Subsidiary enters into such Staged Acquisition Agreement;

(p) Indebtedness Incurred or Preferred Stock issued by the Parent Guarantor or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in any PRC Restricted Subsidiary, and Indebtedness of the Parent Guarantor or a Restricted Subsidiary constituting a guarantee by, or grant of a Lien on the assets of the Parent Guarantor or any PRC Restricted Subsidiary in favor of a Trust Company Investor with respect to the obligation to pay a guaranteed or preferred return to such Trust Company Investor on Capital Stock of such Restricted Subsidiary; provided that on the date of the Incurrence or issuance of such Indebtedness or Preferred Stock and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred or issued pursuant to this clause (p) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness Incurred pursuant to clauses (h), (q), (r), (t), (v) and (w) and the refinancings thereof, but excluding any Contractor Guarantee or guarantee Incurred under any such clauses and this clause (p) to the extent the amount of such Contractor Guarantee or guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;

(q) Bank Deposit Secured Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (q) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred or issued pursuant to clauses (h), (p), (r), (t), (v) and (w) and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (q) to the extent the amount of such Contractor Guarantee or guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;

(r) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred or issued under clauses (h), (p), (q), (t), (v) and (w) and the refinancings thereof, but excluding any Contractor Guarantee or guarantee Incurred under such clauses and this clause (r) to the extent the amount of such Contractor Guarantee or guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;

(s) Indebtedness of any Group Financial Institution Incurred for the purpose of such Group Financial Institution's financial, trust, insurance, securities, trading, internet, education and energy business; provided that (i) such Indebtedness is repaid within such time limits prescribed by applicable laws, rules and regulations, (ii) the Incurrence of such Indebtedness is consistent with standard industry practices in the financial, trust, insurance, securities, trading, internet, education and energy business and (iii) such Indebtedness is incurred in accordance with the business license of such Group Financial Institution and is in compliance with the rules and regulations issued by the China Banking Regulatory Commission, China Securities Regulatory Commission, China Insurance Regulatory Commission and all other applicable laws and regulatory requirements;

(t) Indebtedness Incurred by any PRC Restricted Subsidiary which is secured by Investment Properties, and guarantees thereof by the Parent Guarantor or any Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (t) (together with any refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred or issued under clauses (h), (p), (q), (r), (v) and (w) and the refinancings thereof, but excluding any Contractor Guarantee or guarantee Incurred under such clauses and this clause (t) to the extent the amount of such Contractor Guarantee or guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;

(u) Indebtedness of the Parent Guarantor or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$20 million (or the Dollar Equivalent thereof);

(v) Indebtedness incurred by the Parent Guarantor or any Restricted Subsidiary under Credit Facilities; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (v) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred or issued under clauses (h), (p), (q), (r), (t) and (w) and the refinancings thereof, but excluding any Contractor Guarantee or guarantee Incurred under such clauses and this clause (v) to the extent the amount of such Contractor Guarantee or guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;

(w) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting a guarantee of Indebtedness of any Person (other than the Parent Guarantor or a Restricted Subsidiary); provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (w) (together with any refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred or issued under clauses (h), (p), (q), (r), (t) and (v) and the refinancings thereof, but excluding any Contractor Guarantee or guarantee Incurred under such clauses and this clause (w) to the extent the amount of such Contractor Guarantee or guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;

(x) Indebtedness incurred by the Parent Guarantor or any Restricted Subsidiaries constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Parent Guarantor or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; and

(y) Indebtedness incurred by the Parent Guarantor constituting a Subordinated Shareholder Loan.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Permitted Indebtedness or Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Parent Guarantor, in its sole discretion, shall classify, and from time to time may reclassify or divide, such item of Indebtedness in one or more types of Indebtedness described above.

(4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies provided that such Indebtedness was permitted to be incurred at the time of such Incurrence.

Limitation on Restricted Payments

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Parent Guarantor's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid in shares of the Parent Guarantor's or any of its Restricted Subsidiaries' Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Parent Guarantor or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Parent Guarantor held by any Persons other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary other than (i) the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement permitted to be entered into under the Indenture or (ii) the purchase of Capital Stock of a Restricted Subsidiary held

by any Trust Company Investor in connection with Indebtedness Incurred under paragraph (2)(p) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or the Parent Guarantee (excluding any intercompany Indebtedness between or among the Parent Guarantor and any Restricted Subsidiaries); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Parent Guarantor could not Incur at least US$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock;" or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Parent Guarantor and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Parent Guarantor (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on January 1, 2016 and ending on the last day of the Parent Guarantor's most recently ended fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner and which may include internal consolidated financial statements) are available; plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Parent Guarantor after the Measurement Date as a capital contribution to its common equity by or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Parent Guarantor, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Parent Guarantor into Capital Stock (other than Disqualified Stock) of the Parent Guarantor, or (B) the exercise by a Person who is not a Subsidiary of the Parent Guarantor of any options, warrants or other rights to acquire Capital Stock of the Parent Guarantor (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Parent Guarantor; plus

(iii) the amount by which Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries is reduced on the Parent Guarantor's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Parent Guarantor) subsequent to the Measurement Date of any Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Parent Guarantor (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Parent Guarantor upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a guarantee provided by the Parent Guarantor or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the portion (proportionate to the Parent Guarantor's equity interest in such Unrestricted Subsidiary) of the Fair Market Value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary under the Indenture, not to exceed in each case the amount of Investments (other than Permitted Investments) made by the Parent Guarantor or a Restricted Subsidiary after the Measurement Date in any such Person; plus

(v) US$20 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Parent Guarantor or any Finance Subsidiary with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Parent Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Parent Guarantor) of, shares of the Capital Stock (other than Disqualified Stock) of the Parent Guarantor (or options, warrants or other rights to acquire such Capital

Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Parent Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Parent Guarantor) of, shares of the Capital Stock (other than Disqualified Stock) of the Parent Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

(5) the declaration and payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Parent Guarantor, to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Parent Guarantor;

(6) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Parent Guarantor; provided that, any such cash payment shall not be for the purpose of evading the limitation of this "— Limitation on Restricted Payments" covenant (as determined in good faith by the Board of Directors of the Parent Guarantor);

(7) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(p) of the "Limitation on Indebtedness and Preferred Stock" covenant;

(8) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor or any Restricted Subsidiary in connection with an employee benefit plan or the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor or any Restricted Subsidiary held by an employee benefit plan of the Parent Guarantor or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Parent Guarantor or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed US$20 million (or the Dollar Equivalent thereof);

(9) the distributions or payments of Securitization Fees in connection with Receivable Financing;

(10) the purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement to acquire the Capital Stock of a Person; provided that such Person becomes a Restricted Subsidiary on or before the last date in the period stipulated in such Staged Acquisition Agreement for which the purchase price can be made;

(11) the repurchase of, or the declaration and payment of dividends on, the Common Stock of the Parent Guarantor by the Parent Guarantor in any financial year up to an aggregate amount not to exceed such amount equal to (x) 30% of the aggregate distributable profits of the Parent Guarantor for the three immediately prior financial years, minus (y) the aggregate amount of any repurchase of, or declaration and payment of dividends on, the Common Stock of the Parent Guarantor by the Parent Guarantor made during the two immediately prior financial years, or as otherwise requested by the Shanghai Stock Exchange following a general change of policy; or

(12) any purchase, redemption, retirement or acquisition of any shares of Capital Stock of any Restricted Subsidiary in an arm's length transaction, provided that any such purchase, redemption, retirement or acquisition shall be deemed to be an arm's length transaction if the consideration paid by the Parent Guarantor or the relevant Restricted Subsidiary, as the case may be, is not more than the Fair Market Value of the shares of Capital Stock so purchased, redeemed, retired or acquired.

provided that, in the case of clause (2), (3), (4), (8), (11) or (12) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment made pursuant to clauses (1) and (12) of the preceding paragraph after the Measurement Date shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "— Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Parent Guarantor or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in an amount in excess of US$10 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (12) above), the Parent Guarantor will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Parent Guarantor or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Parent Guarantor or any other Restricted Subsidiary;

(c) make loans or advances to the Parent Guarantor or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Parent Guarantor or any other Restricted Subsidiary,

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Parent Guarantor or any Restricted Subsidiary to other Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Parent Guarantor and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Parent Guarantee, or the Indenture or Pari Passu Guarantee, and any extensions, amendments, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, amendment, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, amended, refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) with respect to any Person or the property or assets of such Person acquired by the Parent Guarantor or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, amendments, refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, amendments, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, amended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Parent Guarantor or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Parent Guarantor or any Restricted Subsidiary in any manner material to the Parent Guarantor or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Limitation on Indebtedness and Preferred Stock" and "— Limitation on Asset Sales" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or Preferred Stock of the type described under clause (2)(h) or permitted under clause (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(t), (2)(u), (2)(v), (2)(w) and (2)(x) of the "— Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Issuer to make required payment on the Notes or the Parent Guarantor to make requirement payment on its Parent Guarantee and, with respect to Indebtedness of the type described in clause (2)(h) or permitted under clause (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(t), (2)(u), (2)(v), (2)(w) and (2)(x), any extensions, amendments, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, amendments refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, amended, refinanced, renewed or replaced;

(g) existing in customary provisions in shareholders' agreements, joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a shareholders, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect the ability of the Issuer to make the required payments on the Notes or the Parent Guarantor to make the required payments on its Parent Guarantee; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extension, amendment, refinancing, renewal or replacement thereof; provided that the encumbrances and restrictions in any such extension, amendment, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, amended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Parent Guarantor will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Parent Guarantor or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Parent Guarantor and its Restricted Subsidiaries;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Parent Guarantor or a Wholly Owned Restricted Subsidiary;

(3) the sale or issuance of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such sale or issuance, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such sale or issuance and provided that the Parent Guarantor complies with the "— Limitation on Asset Sales" covenant; or

(4) the sale or issuance of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such sale or issuance); provided that the Parent Guarantor or such Restricted Subsidiary applies the Net Cash Proceeds of such sale or issuance in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Parent Guarantor will not permit any Restricted Subsidiary to guarantee (other than the Issuer guaranteeing Indebtedness of the Parent Guarantor) any (i) Indebtedness of the Parent Guarantor or the Issuer, (ii) Indebtedness of any Finance Subsidiary initially issued, offered, distributed or extended by a Person outside the PRC or (iii) Public Indebtedness of any Restricted Subsidiary initially issued, offered, distributed or extended by a Person, outside the PRC (all such Indebtedness referred to in (i), (ii) and (iii) above, "Guaranteed Indebtedness"), unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture pursuant to which such

Restricted Subsidiary will irrevocably and unconditionally guarantee, on a joint and several basis, the payment of the principal of, premium, if any, and interest in respect of the Notes on a senior basis and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Parent Guarantor or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its guarantee until the Notes have been paid in full or (2) such guarantee and such Guaranteed Indebtedness are permitted by clauses (2)(c), (2)(d), (2)(m) or (2)(q) (in the case of clauses (2)(c), (2)(d) or (2)(m), other than a guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary that is not a Finance Subsidiary of such PRC Subsidiary) (in the case of clause (2)(q), with respect to the guarantee provided by the Parent Guarantor or any Restricted Subsidiary through the pledge of one or more bank accounts to secure any Bank Deposit Secured Indebtedness), under the caption "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or the Parent Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Parent Guarantee, or (2) is subordinated in right of payment to the Notes or the Parent Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Parent Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Parent Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Parent Guarantor or (y) any Affiliate of the Parent Guarantor (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Parent Guarantor or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm's length transaction by the Parent Guarantor or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Parent Guarantor; and

(2) the Parent Guarantor delivers to the Trustee:

  (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

  (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Parent Guarantor or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular compensation to directors of the Parent Guarantor or any Restricted Subsidiary who are not employees of the Parent Guarantor or any Restricted Subsidiary;

(2) transactions between or among the Parent Guarantor and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under the caption "— Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Parent Guarantor;

(5) the payment of compensation to officers and directors of the Parent Guarantor or any Restricted Subsidiary pursuant to an employee stock or share option scheme;

(6) any transaction between (A) the Parent Guarantor or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in connection with the proposed Restructuring, including but not limited to the transactions entered into for purposes of any reorganization in connection with the proposed Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the proposed Restructuring;

(7) any transaction between (A) the Parent Guarantor or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and in compliance with the rules of any Qualified Exchange on which the Capital Stock of a Subsidiary of the Parent Guarantor in the Restructuring Group is listed pursuant to the Restructuring; and

(8) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor or any Restricted Subsidiary pursuant to clause (8) of the second paragraph of the covenant described under "— Limitation on Restricted Payment."

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "— Limitation on Restricted Payments" covenant, and any Investment in any corporation, association or other business entity made in compliance with paragraph (20) of the definition of "Permitted Investment" (ii) transactions pursuant to agreements in effect on the Original Issue Date, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Parent Guarantor and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction (A) between or among the Parent Guarantor, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries or (B) between or among the Parent Guarantor or a Restricted Subsidiary on the one hand and any Unrestricted Subsidiary, Jointly Controlled Entity or Associate on the other hand, and (iv) any transaction involving Receivable Financing Assets, or participation therein, in connection with any

Receivable Financing; provided that in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business and (b) in case of a non-Wholly Owned Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary) and (c) in the case of a Unrestricted Subsidiary, Jointly Controlled Entity or Associate, none of the shareholders or partners which beneficially owns more than 10% of the Capital Stock of or in such Unrestricted Subsidiary, Jointly Controlled Entity or Associate is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such entity or by reason of being a Subsidiary of the Parent Guarantor).

Limitation on Liens

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Parent Guarantor or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Parent Guarantor or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under "— Limitation on Indebtedness and Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "— Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Parent Guarantor or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption "— Limitation on Asset Sales."

Limitation on Asset Sales

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Parent Guarantor or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; provided that in the case of an Asset Sale in which the Parent Guarantor or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$10 million (or the Dollar Equivalent thereof), the Parent Guarantor shall deliver to the Trustee an opinion as to the fairness to the Parent Guarantor or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Parent Guarantor's most recent consolidated balance sheet, of the Parent Guarantor or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or the Parent Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, set-off, novation or similar agreement that releases the Parent Guarantor or such Restricted Subsidiary from further liability; and

(b) any securities, notes or other obligations received by the Parent Guarantor or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Parent Guarantor or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Parent Guarantor (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Issuer or the Parent Guarantor or any Indebtedness of a Restricted Subsidiary (other than the Issuer) (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Parent Guarantor or a Restricted Subsidiary; or

(2) acquire Replacement Assets.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Parent Guarantor or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$10 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US$10 million (or the Dollar Equivalent thereof), within 10 days thereof, the Issuer or the Parent Guarantor must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes and such other *pari passu* Indebtedness plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Parent Guarantor or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a *pro rata* basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Parent Guarantor's Business Activities

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; provided that the Parent Guarantor or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption "— Limitation on Restricted Payments"; provided further, that the Parent Guarantor shall at all times own directly all the Capital Stock of the Issuer.

Limitation on the Issuer's Activities

Notwithstanding anything contained in the Indenture to the contrary, the Issuer will not engage in any business activity or undertake any other activity, except any activity (a) relating to the offering, sale or issuance of the Notes, the incurrence of Indebtedness represented by the Notes or any Additional Notes issued under the Indenture (if such offering, sale or issuance is permitted under the Indenture), (b) relating to the offering, sale or issuance of securities similar to the Notes (including Additional Notes, if any) in the future and the incurrence of Indebtedness represented by such debt obligations (if such offering, sale or issuance is otherwise permitted under the Indenture), (c) contributing to, lending to or otherwise using the proceeds of the issuance of Indebtedness incurred by the Issuer to fund the activities of, the Parent Guarantor or any Restricted Subsidiary, (d) undertaken with the purpose of fulfilling any obligations under the Indebtedness referred to in clause (a) or the Indenture, or any future indenture related to such Indebtedness or for purposes of any consent solicitation or tender for such Indebtedness or refinancing of such Indebtedness or (e) directly related to the establishment and/or maintenance of the Issuer's corporate existence.

The Issuer will not (a) issue any Capital Stock other than the issuance of its ordinary shares to the Parent Guarantor or (b) acquire or receive any property or assets (including, without limitation, any Capital Stock or Indebtedness of any Person), other than (x) any future intercompany Indebtedness owed by the Parent Guarantor or any Restricted Subsidiary to the Issuer in respect of the borrowing of the gross proceeds of the issuance of Indebtedness by the Issuer or payments in respect thereof or (y) cash for ongoing corporate activities of the Issuer described in the preceding paragraph.

The Issuer will not create, incur, assume or suffer to exist any Lien of any kind against or upon any of its property or assets, or any proceeds therefrom.

The Issuer will at all times remain, directly or indirectly, a Wholly Owned Restricted Subsidiary of the Parent Guarantor.

For so long as any Notes are outstanding, the Issuer will not, and the Parent Guarantor will procure that none of the Restricted Subsidiaries will, commence or take any action to cause a winding-up or liquidation of the Issuer.

The Issuer will not consolidate with, merge with or into, another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any Person.

Limitation on Use of Proceeds

The Issuer and the Parent Guarantor will not, and the Parent Guarantor will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) as specified under the caption "Use of Proceeds" in this Offering Memorandum (or in the case of Additional Notes, any offering memorandum relating thereto) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary (other than the Issuer) to be an Unrestricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Parent Guarantor nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Parent Guarantor or the Issuer; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Parent Guarantor or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Parent Guarantor or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "— Limitation on Liens;" (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "— Limitation on Restricted Payments" (other than any Investment deemed to have been made by the Parent Guarantor or any Restricted Subsidiary in the Restructuring Group upon the designation of the Restructuring Group as Unrestricted Subsidiaries in connection with the proposed Restructuring, provided that (i) the Board of Directors of the Parent Guarantor has determined in good faith that the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the proposed Restructuring, (ii) the members of the

Restructuring Group remain Subsidiaries of the Parent Guarantor, and (iii) the members of the Restructuring Group remain primarily engaged in the Permitted Businesses); provided further that, the Issuer shall be a Restricted Subsidiary for so long as any Notes are outstanding.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock;" (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption "— Limitation on Liens;" and (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary).

Government Approvals and Licenses; Compliance with Law

The Parent Guarantor will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Issuer, or the Parent Guarantor to perform its obligations under the Notes, the Parent Guarantee or the Indenture.

Anti-Layering

The Parent Guarantor will not Incur, and will not permit the Issuer to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Parent Guarantor or the Issuer, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the Parent Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from two of the three Rating Agencies and no Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from two of the three Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(2) "— Certain Covenants — Limitation on Restricted Payments";

(3) "— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates";

(6) "— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(7) "— Certain Covenants — Limitation on the Parent Guarantor's Business Activities";

(8) "— Certain Covenants — Limitation on Sale and Leaseback Transactions";

(9) "— Certain Covenants — Limitation on Asset Sales." and

(10) Clause (4) under the first and second paragraphs of the Covenant described under "— Consideration, Merger and Sale of Assets."

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Parent Guarantor or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under "— Certain Covenants — Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Parent Guarantor will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 15 calendar days after they are filed with the Shanghai Stock Exchange or any other recognized exchange on which the Parent Guarantor's Common Stock are at any time listed for trading, true and correct copies of any financial report filed with such exchange; provided that if at any time the Common Stock of the Parent Guarantor ceases to be listed for trading on a recognized stock exchange, the Parent Guarantor will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Parent Guarantor, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of a nationally-recognized firm of independent accountants, in each case together with an English translation thereof;

(b) as soon as they are available, but in any event within 90 calendar days after the end of the second financial quarter of the Parent Guarantor, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of a nationally-recognized firm of independent accountants, in each case together with an English translation thereof; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarters of the Parent Guarantor, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Parent Guarantor together with a certificate signed by the person then authorized to sign financial statements on behalf of the Parent Guarantor to the effect that such financial statements are true in all material respects and present fairly the financial position of the Parent Guarantor as at the end of, and the results of its operations for, the relevant quarterly period, in each case together with an English translation thereof.

(2) In addition, so long as any of the Notes remain outstanding, the Parent Guarantor will provide to the Trustee (a) within 120 calendar days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the most recent fiscal year and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Parent Guarantor's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, provided that the Parent Guarantor shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; (b) as soon as possible and in any event within 30 days after the Parent Guarantor becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Parent Guarantor proposes to take with respect thereto; and (c) as soon as possible and in any event within 14 days after written request for an Officers' Certificate from the Trustee has been received by the Parent Guarantor, an Officers' Certificate setting forth the information requested in such request.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) (a) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets," (b) the failure by the Issuer or the Parent Guarantor to make or consummate an offer to purchase in the manner described under the captions "— Repurchase of Notes upon a change of Control Triggering Event", "— Repurchase upon a SAFE Noncompliance Event", or "— Limitation on Asset Sales", or (c) the failure by the Issuer to consummate the repurchase in the manner described under the caption "— Increased Interest; Repurchase of Notes at the Option of the Holders";

(4) the Parent Guarantor or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Holders of 25% or more in aggregate principal amount of the Notes then outstanding;

(5) there occurs with respect to any Indebtedness of the Parent Guarantor or any Restricted Subsidiary having an outstanding principal amount of US$10 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Parent Guarantor or any of its Restricted Subsidiaries and are not paid or discharged within the time frame specified in such final judgement or order, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$10 million (or the Dollar Equivalent thereof) (in excess of amounts which the Parent Guarantor's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Parent Guarantor, the Issuer or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor, the Issuer or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Parent Guarantor, the Issuer or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains

undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Parent Guarantor, the Issuer or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Parent Guarantor, the Issuer or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) other than in connection with a solvent liquidation on reorganization (except for any solvent liquidation or reorganization of the Issuer or the Parent Guarantor), consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor, the Issuer or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Parent Guarantor, the Issuer or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors; or

(9) the Parent Guarantor denies or disaffirms its obligations under the Parent Guarantee or, except as permitted by the Indenture, the Parent Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer and the Parent Guarantor (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Parent Guarantor or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Issuer and the Parent Guarantor and to the Trustee may on behalf of the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee (subject to being indemnified and/or secured and/or prefunded to its satisfaction) shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security and/or prefunding is assured to it.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security and/or prefunding reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and/or security and/or prefunding; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Parent Guarantor must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year ending after the Original Issue Date, that a review has been conducted of the activities of the Parent Guarantor and its Restricted Subsidiaries and the Parent Guarantor's and its Restricted Subsidiaries' performance under the Indenture and that the Issuer and the Parent Guarantor have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Parent Guarantor will also be obligated to notify the Trustee in writing of any Default or Defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports."

None of the Trustee or any Agent is obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and each of the Trustee and the Agents may assume that no such event has occurred and that the Issuer and the Parent Guarantor are performing all of their respective obligations under the Indenture, the Notes and the Parent Guarantee, unless the Trustee or the Agent, as the case may be, has received written notice of the occurrence of such event or facts establishing that a Default or an Event of Default has occurred or that the Issuer and the Parent Guarantor are not performing all of their respective obligations under the Indenture, the Notes and the Parent Guarantee. The Trustee is entitled to rely on any Opinion of Counsel or Officers' Certificate regarding whether an Event of Default or Default has occurred.

Consolidation, Merger and Sale of Assets

The Parent Guarantor will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(1) the Parent Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "PRC Parent Surviving Person") shall be a corporation organized and validly existing under the laws of the PRC and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Parent Guarantor under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock;"

(5) the Parent Guarantor delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that (A) such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with and (B) if the Parent Guarantor is the surviving person, the Parent Guarantee provided by the Parent Guarantor and all the obligations of the Parent Guarantor under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain valid and in full force and effect, and that no registration with, or approval from, any government authority shall be required with respect to such documents' validity or enforceability; and

(6) no Rating Decline shall have occurred.

The Issuer will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(1) the Issuer shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Issuer Surviving Person", together with the PRC Parent Surviving Person, the "Surviving Persons") shall be a corporation organized and validly existing under the laws of the British Virgin Islands, Cayman Islands or Hong Kong and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Issuer under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis the Parent Guarantor could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock;"

(5) the Issuer delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) the Parent Guarantor, unless the Parent Guarantor is the Person with which the Issuer has entered into a transaction described under the caption "— Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Parent Guarantee, shall apply to the obligations of the Issuer or the Issuer Surviving Person in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Parent Guarantor that may adversely affect Holders.

No Payments for Consents

The Parent Guarantor will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or the Parent Guarantee in connection with an exchange or tender offer, the Issuer and the Parent Guarantor may exclude Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Issuer or the Parent Guarantor to comply with the registration requirements or other similar requirements under any securities laws of any jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Issuer or the Parent Guarantor in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

(1) the Issuer (a) has deposited into an account opened with the Trustee (or its agent) money and/or U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

(2) the Issuer has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of and the deposit of assets into the defeasance account does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the fund or assets will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Parent Guarantor or any of its Restricted Subsidiaries is a party or by which the Parent Guarantor or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes and the Parent Guarantee will terminate.

Defeasance of Certain Covenants

The Indenture will provide that (i) the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(x) and (6) under the first paragraph and clauses (3), (4), (5)(x) and (7) under the second paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants," other than as described under "— Certain Covenants-Government Approvals and Licenses; Compliance with Law" and "— Certain Covenants — Anti-Layering," and (ii) clause (3) under "Events of Default" with respect to clauses (3), (4), (5)(x) and (6) under the first paragraph and clauses (3), (4), (5)(x) and (7) under the second paragraph under

"Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in the above clause (i), clause (4) under "Events of Default" with respect to such other covenants and clauses (5) and (6) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit into an account opened with the Trustee (or its agent), of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Issuer exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Issuer will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes or the Parent Guarantee may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes;

(2) comply with the provisions described under "— Consolidation, Merger and Sale of Assets;"

(3) evidence and provide for the acceptance of appointment by a successor Trustee;

(4) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(5) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(6) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;

(7) make any other change that does not materially and adversely affect the rights of any Holder; or

(8) conform the text of the Indenture, the Notes or the Parent Guarantee to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision in the Indenture, the Notes or the Parent Guarantee.

Amendments With Consent of Holders

The Indenture, the Notes or the Parent Guarantee may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes and the Holders of a majority in aggregate principal amount of the outstanding Notes may amend or waive future compliance by the Parent Guarantor or any of its Restricted Subsidiaries with any provision thereof; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any instalment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note or the Parent Guarantee;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(8) release, amend, change or modify the Parent Guarantee in a manner that adversely affects the Holders;

(9) reduce the amount payable upon a Change of Control Offer, a SAFE Noncompliance Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer, a SAFE Noncompliance Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer, a SAFE Noncompliance Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;

(10) change the redemption date or the redemption price of the Notes from that stated under the caption "— Optional Redemption", "— Redemption for Taxation Reasons" or "— Increased Interest; Repurchase of Notes at the Option of the Holders";

(11) amend, change or modify the obligation of the Issuer or the Parent Guarantor to pay Additional Amounts; or

(12) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or the Parent Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Issuer or the Parent Guarantor for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Issuer or the Parent Guarantor in the Indenture, or in any of the Notes or the Parent Guarantee, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Issuer or the Parent Guarantor, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Parent Guarantee. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Concerning the Trustee and the Agents

China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) has been appointed as Trustee under the Indenture. China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) has been appointed as note registrar (the "Note Registrar") and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) has been appointed as paying and transfer agent (the "Paying Agent" and together with the Note Registrar, the "Agents") with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture or the Notes, as the case may be, against the Trustee or the Agents and no implied covenants or obligations will be read into the Indenture and the agent appointment letter against the Trustee or the Agents. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. Pursuant to the terms of the Indenture or the Notes (as the case may be), the Issuer will reimburse the Trustee for all expenses properly incurred. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have offered to the Trustee indemnity and/or security and/or prefunding satisfactory to it against any loss, liability or expense.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Parent Guarantor or the Issuer to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. Either the Trustee or any

Agent is permitted to engage in other transactions, including normal banking and trustee relationships, with the Issuer or the Parent Guarantor and their respective Affiliates; provided, however, that if it acquires any conflicting interest that may have a materially prejudicial effect upon the Holders of the Notes, it must eliminate such conflict or resign.

The Trustee and the Agents shall not be deemed to have knowledge of any Event of Default or Default unless it has received express written notice of such Event of Default or Default.

Under the Indenture, the Trustee is entitled to be indemnified and/or secured and/or pre-funded and relieved from liability or responsibility in certain circumstances and will be paid its fees, costs, expenses and indemnity in priority to the claims of the Holders.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the "Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the "Additional Global Notes" and, together with the Global Note, the "Global Notes").

Global Notes

Ownership of beneficial interests in the Global Notes (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "— Individual Definitive Notes," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Issuer, the Parent Guarantor, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Issuer and the Parent Guarantor will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "— Additional Amounts."

Under the terms of the Indenture, the Issuer, the Parent Guarantor and the Trustee will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Parent Guarantor, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- any action or failure to take action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream participants on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Issuer, the Parent Guarantor, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Issuer within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "— Events of Default" and the Issuer has received a written request from a Holder, the Issuer will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary the Issuer will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Note Registrar in sufficient quantities and authenticated by the Note Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Note Registrar, through the relevant clearing system, with written instruction and other information required by the Issuer and the Note Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Issuer or the Parent Guarantor) addressed to the Issuer or the Parent Guarantor at 11F, Xinhu Commercial Mansion, 128 Xixi Road, Hangzhou, Zhejiang, PRC (Attention: Ms. Huang Hailun; Facsimile number: +86 571 8739 5012), (if intended for the Trustee), at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Issuer and the Parent Guarantor will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Parent Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint National Corporate Research, Ltd. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Parent Guarantee and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after September 28, 2024, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Premium" means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of 100% the redemption price of such Note on September 28, 2024, plus all required remaining scheduled interest payments due on such Note through September 28, 2024 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"Asset Acquisition" means (1) an Investment by the Parent Guarantor or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Parent Guarantor or any of its Restricted Subsidiaries; or (2) an acquisition by the Parent Guarantor or any of its Restricted Subsidiaries of the property and assets of any Person other than the Parent Guarantor or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Parent Guarantor or any of its Restricted Subsidiaries (other than to the Parent Guarantor or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Parent Guarantor or any of its Restricted Subsidiaries.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Parent Guarantor or any of its Restricted Subsidiaries to any Person; provided that "Asset Sale" shall not include:

(1) sales, transfers or other dispositions of inventory, receivables and other current assets and short term assets held for sale (including properties under development for sale and completed properties for sale) in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "— Limitation on Restricted Payments" covenant;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Parent Guarantor or its Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the covenant under the caption "— Consolidation, Merger and Sale of Assets;"

(7) any sale, transfer or other disposition by the Parent Guarantor or any of its Restricted Subsidiaries, including the sale or issuance by the Parent Guarantor or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Parent Guarantor or any Restricted Subsidiary; and

(8) (i) any disposition of Receivable Financing Assets in connection with any Receivable Financing (other than Non-recourse Receivable Financing), and (ii) the sale or discount of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof or in bankruptcy or similar proceeding.

"Associate" means any corporation, association or other business entity of which at least 20% of the Capital Stock and the Voting Stock is owned, directly or indirectly, by the Parent Guarantor or any Restricted Subsidiary.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Bank Deposit Secured Indebtedness" means Indebtedness of the Parent Guarantor or any Restricted Subsidiary that (i) is secured by a pledge of one or more bank accounts or deposits of the Parent Guarantor or a Restricted Subsidiary and/or (ii) is guaranteed by a guarantee, letter of credit or similar instruments from or arranged by the Parent Guarantor or a Restricted Subsidiary and is used by the Parent Guarantor and its Restricted Subsidiaries to effect exchange of foreign currencies.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Parent Guarantor to manage the business of the Parent Guarantor or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible or exchangeable into such equity.

"Change of Control" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Parent Guarantor with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Parent Guarantor, or the sale of all or substantially all the assets of the Parent Guarantor to another Person (other than one or more Permitted Holders);

(2) the Permitted Holders are collectively the "beneficial owners" (as such term is used in Rule 13d-3 of the U.S. Exchange Act) of less than 40% of the total voting power of the Voting Stock of the Parent Guarantor;

(3) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the U.S. Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the U.S. Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Parent Guarantor greater than such total voting power held beneficially by the Permitted Holders;

(4) individuals who on the Original Issue Date constituted the board of directors of the Parent Guarantor, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Parent Guarantor then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Parent Guarantor.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and, provided that the Notes are rated by at least one Rating Agency, a Rating Decline.

"Clearstream" means Clearstream Banking S.A.

"Commodity Hedging Agreement" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security having a maturity comparable to September 28, 2024 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a comparable maturity to September 28, 2024.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the definition of Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is available) Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Parent Guarantor and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Parent Guarantor and its Restricted Subsidiaries (which the Parent Guarantor shall use its reasonable best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Parent Guarantor and its Restricted Subsidiaries in conformity with GAAP; provided that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Parent Guarantor or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"Consolidated Fixed Charges" means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Parent Guarantor or any Restricted Subsidiary held by Persons other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Parent Guarantor's Capital Stock (other than Disqualified Stock) or paid to the Parent Guarantor or to a Wholly Owned Restricted Subsidiary.

"Consolidated Interest Expense" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Parent Guarantor and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Parent Guarantor and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is guaranteed by, or secured by a Lien on any asset of, the Parent Guarantor or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) to the extent payable by the Parent Guarantor or any Restricted Subsidiary, provided that, in the case of Indebtedness secured by a Lien on assets, the amount of such Indebtedness will be the lesser of (a) the fair market value of such assets at such date of determination, and (b) the amount of such Indebtedness of such other Person, and (7) any capitalized interest, provided that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

(a) subject to the exclusion contained in clause (5) below, the Parent Guarantor's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Parent Guarantor or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Parent Guarantor's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Parent Guarantor or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Parent Guarantor or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Parent Guarantor or any of its Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Parent Guarantor or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Parent Guarantor realized on sales of Capital Stock of the Parent Guarantor or other Restricted Subsidiaries);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains,

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Parent Guarantor or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Parent Guarantor or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet of the Parent Guarantor and its Restricted Subsidiaries prepared in accordance with GAAP, plus, to the extent not included, any Preferred Stock of the Parent Guarantor, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Parent Guarantor or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"Contractor Guarantees" means any guarantee by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Parent Guarantor or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Parent Guarantor or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"Credit Facilities" means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"Currency Agreement" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's or the Parent Guarantor's repurchase of such Notes as are required to be repurchased pursuant to the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event" covenants.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"Entrusted Loans" means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, provided that such borrowings are not reflected on the consolidated balance sheet of the Parent Guarantor.

"Equity Offering" means (i) any underwritten primary public offering or private placement of Common Stock of the Parent Guarantor after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Parent Guarantor beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a Person controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Parent Guarantor at the same price as the public offering or private placing price; provided that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Parent Guarantor being no less than US$20 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

"Finance Subsidiary" means a Subsidiary of the Parent Guarantor or another Finance Subsidiary (including the Issuer) (i) that is a Restricted Subsidiary and whose operations are comprised of Incurring Indebtedness to Persons other than the Parent Guarantor, any Restricted Subsidiary or their respective Affiliates from time to time to finance the operations of the Parent Guarantor and/or its Subsidiaries and (ii) which conducts no business and owns no material assets other than any equity interests in a Finance Subsidiary or intercompany Indebtedness incurred in connection with the Indebtedness described in clause (i).

"Fitch" means Fitch Ratings Ltd., a subsidiary of Fimalac and its successors.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Parent Guarantor or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged or consolidated with or into the Parent Guarantor or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"GAAP" means generally accepted accounting principles in PRC as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"Group Financial Institution" means Zhejiang Xinhu Group Co., Ltd. and any Restricted Subsidiary, the primary business of which is the provision of financial, trust, insurance, securities, internet, education, trading and energy businesses.

"guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term "guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Incur" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business or Entrusted Loans; provided that such Indebtedness is not reflected as borrowings or indebtedness on the consolidated balance sheet of the Parent Guarantor (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the "Limitation on Indebtedness and Preferred Stock" covenant, or (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Parent Guarantor.

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Parent Guarantor will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Parent Guarantor's proportional interest in the Fair Market Value of the assets (net of the Parent Guarantor's proportionate interest in the liabilities owed to any Person other than the Parent Guarantor or a Restricted Subsidiary and that are not guaranteed by the Parent Guarantor or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, (2) if the Parent Guarantor or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of any direct or indirect Restricted Subsidiary of the Parent Guarantor such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Parent Guarantor will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Capital Stock of such Person not sold or disposed of and (3) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's, or any of its successors or assigns, or a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Parent Guarantor as having been substituted for S&P, Moody's or Fitch or two or three of them, as the case may be.

"Investment Property" means any property that is owned and held by any PRC Restricted Subsidiary primarily for rental yield or for capital appreciation or both, or any hotel, residential or commercial real property owned by the Parent Guarantor or any PRC Restricted Subsidiary as an investment property.

"Jiaxing Business Day" means a day other than a Saturday, Sunday or a day on which the Jiaxing Branch of SAFE is authorized or obligated by law or executive order to remain closed.

"Jointly Controlled Entity" means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Capital Stock is owned, directly or indirectly, by the Parent Guarantor or a Restricted Subsidiary and such corporation, association or other business entity is treated as a "jointly controlled entity" in accordance with GAAP and is primarily engaged in a Permitted Business, and such Jointly Controlled Entity's Subsidiaries.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Listed Liquid Assets" means any securities, including without limitation any equity, hybrid and debt securities (including any debt securities convertible or exchangeable into Common Stock of any Person listed on any Qualified Exchange) of, or issued by, any Person that is listed on a Qualified Exchange.

"Maturity Date" means September 28, 2024.

"Measurement Date" means March 1, 2017.

"Minority Interest Staged Acquisition Agreement" means an agreement between the Parent Guarantor or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Parent Guarantor or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Parent Guarantor or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one instalment over a period of time.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"NDRC" means National Development and Reform Commission.

"Net Cash Proceeds" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

(a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

(b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole;

(c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

(d) appropriate amounts to be provided by the Parent Guarantor or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Non-recourse Receivable Financing" means Receivable Financing (i) under which neither the Parent Guarantor nor any Restricted Subsidiary (other than pursuant to Standard Non-recourse Receivable Financing Undertakings) provides guarantee or recourse with respect to the Receivable Financing Assets, undertakes to repurchase any Receivable Financing Assets, subjects any of its properties or assets, directly or indirectly, contingently or otherwise, to the satisfaction of any obligation related to the Receivable Financing Assets or undertakes to maintain or preserve the financial condition or operating results of the entity that purchases or otherwise receives the Receivable Financing Assets and (ii) is not reflected as liability on the consolidated balance sheet of the Parent Guarantor.

"Offer to Purchase" means an offer to purchase Notes by the Parent Guarantor or the Issuer, as the case may be, from the Holders commenced by the Parent Guarantor or the Issuer, as the case may be, mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed, provided that for the purposes of a SAFE Noncompliance Offer, the date of purchase shall be no earlier than 25 days and no later than 35 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Parent Guarantor or the Issuer, as the case may be, defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Parent Guarantor or the Issuer, as the case may be, shall deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted. On the Offer to Purchase Payment Date, the Parent Guarantor or the Issuer, as the case may be, shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Parent Guarantor or the Issuer, as the case may be. The Tender Agent shall as soon as reasonably practicable mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall as soon as reasonably practicable authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof. The Parent Guarantor or the Issuer, as the case may be, will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Parent Guarantor or the Issuer, as the case may be, will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Issuer is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Issuer and the Parent Guarantors will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Issuer will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Parent Guarantor and its Subsidiaries which the Parent Guarantor in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Parent Guarantor or the Issuer, as the case may be, to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Offering Memorandum" means this offering memorandum.

"Officer" means one of the executive officers of the Issuer or a Parent Guarantor, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers; provided, however, with respect to the Officers' Certificate required to be delivered by the Issuer under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in the Issuer at the time such certificate is required to be delivered.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. Such legal counsel may be the counsel to the Parent Guarantor.

"Original Issue Date" means the date on which the Notes are originally issued under the Indenture.

"Parent Guarantee" means any guarantee of the obligations of the Issuer under the Indenture and the Notes by a Parent Guarantor.

"Pari Passu Guarantee" means a guarantee by the Parent Guarantor of Indebtedness of any Finance Subsidiary or the Issuer, if any; provided that (1) such Finance Subsidiary, the Parent Guarantor or the Issuer was permitted to Incur such Indebtedness under the covenant under the caption "— Limitation on Indebtedness and Preferred Stock" and (2) such guarantee ranks *pari passu* with the Parent Guarantee.

"Permitted Businesses" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Parent Guarantor and its Restricted Subsidiaries and Zhejiang Xinhu Group Co., Ltd. (浙江新湖集團股份有限公司), a company incorporated in the PRC and the controlling shareholder of the Parent Guarantor as described in the Offering Memorandum on the Original Issue Date, or any new business after the Original Issue Date of the Parent Guarantor and its Restricted Subsidiaries in the finance, education, high-technology, healthcare, mining or energy industries or any business which is related, ancillary or complementary thereto.

"Permitted Holders" means any or all of the following:

(1) Mr. Huang Wei and Ms. Li Ping, any of their immediate family member and any trust established by Mr. Huang Wei and Ms. Li Ping for the benefit of themselves or their immediate family members;

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate, subject to the references to immediate family members specified in clause (1)) of the Person specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more Persons specified in clauses (1) and (2).

"Permitted Investment" means:

(1) any Investment in the Parent Guarantor or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or will be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Parent Guarantor or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) cash or Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation entered into in the ordinary course of business (and not for speculation) and designed solely to protect the Parent Guarantor or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables, trade credits or other current assets owing to the Parent Guarantor or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments made by the Parent Guarantor or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption "— Limitation on Asset Sales";

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "— Limitation on Liens";

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Parent Guarantor or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) Investments in existence on the Original Issue Date;

(13) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Parent Guarantor's consolidated balance sheet;

(14) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

(15) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims, unemployment insurance or other types of social security and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(16) deposits made in order to secure the performance or obligations to provide indemnity, compensation, reimbursement or warranty of the Parent Guarantor or any of its Restricted Subsidiaries in connection with the acquisition, construction, development, sale and delivery of, or prepayments made in connection with the acquisition of, real property or land use rights or personal property (including but not limited to Capital Stock) by the Parent Guarantor or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;

(17) guarantees permitted under clause (2) of the covenant under "— Limitation on Indebtedness and Preferred Stock";

(18) advances or prepayments to, or advances, prepayments or expenses made or incurred for or on behalf of, government authorities or bodies or government-affiliated entities or land use rights owners in the PRC in connection with the financing of primary land development or land resettlement in the ordinary course of business that are recorded as assets in the Parent Guarantor's balance sheet;

(19) repurchases or redemption of the Notes;

(20) any Investment (including without limitation any deemed Investment upon the sale of Capital Stock of a Restricted Subsidiary or the designation of a Restricted Subsidiary as an Unrestricted Subsidiary) by the Parent Guarantor or any Restricted Subsidiary in any Person (excluding the Investments permitted to be made or incurred under other clauses of this definition of "Permitted Investment"); *provided that* the following conditions are satisfied:

(i) the aggregate of all Investments made under this clause (20) since the Measurement Date shall not exceed in aggregate an amount equal to 30% of Total Assets, provided that such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (20) since the Measurement Date resulting from:

(A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (20), in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

(B) the unconditional release of the guarantee provided by the Parent Guarantor or a Restricted Subsidiary after the Measurement Date under this clause (20) of an obligation of any such Person, or

(C) to the extent that an Investment made after the Measurement Date under this clause (20) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Parent Guarantor or a Restricted Subsidiary after the Measurement Date in any such Person pursuant to this clause (20);

(ii) none of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (20) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption "— Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Parent Guarantor or a Restricted Subsidiary or by reason of being a Restricted Subsidiary), except to the extent that such Investment (x) would have satisfied the requirements of the covenant under the caption "— Limitation on Transactions with Shareholders and Affiliates" as if such Investment were an Affiliate Transaction and (y) would otherwise be permitted under applicable laws, regulations or the requirements of the Shanghai Stock Exchange;

(iii) no Default has occurred and is continuing or would occur as a result of such Investment; and

(iv) the Parent Guarantor could Incur at least US$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock", except that solely for purpose of this clause (iv) references to "2.5 to 1.0" thereunder, as the case may be, shall be replaced with "1.0 to 1.0";

(21) Investments made by any Group Financial Institution in the ordinary course of such Group Financial Institution's financial, trust, insurance, securities, trading, internet, education and energy business; provided that such investment is made in accordance with the business license of such Group Financial Institution and is in compliance with the rules and regulations issued by the China Banking Regulatory Commission, China Securities Regulatory Commission, China Insurance Regulatory Commission and all other applicable laws and regulatory requirements;

(22) any Investment in a subordinated tranche of interests in a Receivable Financing Incurred pursuant to clause (ii) of the definition thereof with multiple tranches offered an sold to investors that, in the good faith determination of the Board of Directors, are necessary or advisable to effect such Receivable Financing; and

(23) any Investment deemed to have been made by the Parent Guarantor or any Restricted Subsidiary in the Restructuring Group in connection with the proposed Restructuring upon designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries, provided that (A) (i) the Board of Directors of the Parent Guarantor has determined in good faith that the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the proposed Restructuring, (ii) at the time of such designation, the members of the Restructuring Group remain Subsidiaries of the Parent Guarantor, and (iii) at the time of such designation, the members of the Restructuring Group remain primarily engaged in the Permitted Businesses; and (B) the aggregate of all Investments made under this clause (23) since the Measurement Date shall not exceed an amount equal to 15% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 15% of Total Assets shall not constitute a Permitted Investment pursuant to this item but may be made, characterized and accounted for in accordance with the other provisions of the Indenture); and provided further that, at the time when (x) the Parent Guarantor ceases to hold, directly or indirectly, at least 30% of the Voting Stock of any entity so designated as an Unrestricted Subsidiary or (y) any Person or group of Persons other than the Parent Guarantor and its Subsidiaries acquires a higher percentage of the Voting Stock of such entity than the percentage held directly or indirectly by the Parent Guarantor, the Parent Guarantor will be deemed to make an Investment in such entity equal to the Fair Market Value of any Investment that the Parent Guarantor retains, directly or indirectly, in such entity immediately following such event.

For the avoidance of doubt, the value of each Investment made pursuant to this clause shall be valued at the time such Investment is made.

"Permitted Liens" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds, utility services, developer's or other obligations to make site or off-site improvement and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Parent Guarantor or its Restricted Subsidiaries relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Parent Guarantor or any Restricted Subsidiary other than a Finance Subsidiary;

(8) Liens arising from the attachment or rendering of a final judgment or order against the Parent Guarantor or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof or liens in favor of any bank having a right of setoff, revocation, refund or chargeback with respect to money or instruments of the Parent Guarantor or any Restricted Subsidiary on deposit with or in possession of such bank incurred in the ordinary course of business which do not provide security for borrowed money;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled "— Limitation on Indebtedness and Preferred Stock"; provided that such Liens do not extend to or cover any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) any interest or title of a lessor in the property subject to any operating lease;

(14) Liens securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";

(15) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Parent Guarantor or any Restricted Subsidiary;

(16) Liens (including extensions and renewals thereof) upon real or personal property; provided that, such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Parent Guarantor (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (16) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

(17) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;

(18) Liens on deposits made in order to secure the performance or obligations to provide indemnity, compensation, reimbursement or warranty of the Parent Guarantor or any of its Restricted Subsidiaries in connection with the acquisition, construction, development, sale and delivery of real property or land use rights or personal property (including but not limited to Capital Stock) by the Parent Guarantor or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;

(19) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims, unemployment insurance or other types of social security and other purposes specified by statute or regulations made in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;

(20) Liens on deposits made in order to secure the performance of the Parent Guarantor or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Parent Guarantor or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;

(21) Liens granted by the Parent Guarantor or a PRC Restricted Subsidiary in favor of a Trust Company Investor to secure the obligations of a Subsidiary of such PRC Restricted Subsidiary in which such Trust Company Investor holds or acquires a minority equity interest to pay a guaranteed or preferred return to such Insurance Company Investor, which is permitted under clause (2)(p) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock;"

(22) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock;"

(23) Liens Incurred on bank accounts made to secure Bank Deposit Secured Indebtedness permitted to be Incurred under clause (2)(q) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock;"

(24) Liens Incurred on deposits made to secure Entrusted Loans;

(25) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(o) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock;"

(26) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(x) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock;"

(27) Liens on deposits securing the obligations of the Parent Guarantor or a Restricted Subsidiary to return or refund, or arising from any pledge, charge of or encumbrance on the use, application, transfer or disposition of, all or part of the membership fee, entrance fee, application fee, debenture or other payments of a similar nature paid by a customer purchasing, renting or otherwise obtaining a right to use any property;

(28) Liens on the Capital Stock of a Finance Subsidiary (other than the Issuer) and any intercompany loans or advances from such Finance Subsidiary to the Parent Guarantor, in each case, securing Indebtedness of such Finance Subsidiary (and guarantees by the Parent Guarantor or Restricted Subsidiaries of such Indebtedness) permitted under the covenants described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock;"

(29) Lien securing Attributable Indebtedness that is permitted to be Incurred under the Indenture;

(30) Liens placed on the Capital Stock of any non-Wholly Owned Subsidiary or joint venture in the form of a transfer restriction, purchase option, call or similar right of a third party joint venture partner; and

(31) Liens Incurred by the Parent Guarantor or any Restricted Subsidiary in connection with other indebtedness permitted to be Incurred under clause (2) of the covenant described under "— Certain Covenants — Limitation on Indebtedness ad Preferred Stock."

"Permitted Subsidiary Indebtedness" means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Restricted Subsidiaries (other than the Issuer and any Finance Subsidiary), taken as a whole; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness or issuance of such Preferred Stock, as the case may be (excluding any Indebtedness of any Restricted Subsidiary permitted under clauses (2)(a), (b), (d), (f), (g) and (m) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 15% of the Total Assets.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China, excluding, solely for the purposes of this definition, Hong Kong Special Administrative Region, Macau and Taiwan.

"PRC CJV" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 31, 2000) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

"PRC CJV Partner" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Parent Guarantor or any Restricted Subsidiary.

"PRC Restricted Subsidiary" means a Restricted Subsidiary organized under the laws of the PRC.

"Pre-Registration Mortgage Guarantee" means any Indebtedness of the Parent Guarantor or any Restricted Subsidiary consisting of (i) a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Parent Guarantor or any Restricted Subsidiary (ii) a guarantee or deposit made for housing provident fund loans provided to customers in favor of, or representing amounts placed with, Housing Provident Fund Management Center or another organization responsible for the operation and management of housing provident fund, to secure the housing provident fund loans provided to customers; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Project Debt" means Indebtedness by the Parent Guarantor or a Restricted Subsidiary for the purposes of financing the acquisition, development, construction, operation or maintenance of a real estate project.

"Public Indebtedness" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

"Qualified Exchange" means (1) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), or (2) the Shenzhen Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Singapore Exchange Securities Trading Limited or the Nasdaq Stock Market.

"Qualified IPO" means an initial public offering, and a listing or quotation, of the Capital Stock of a company on a Qualified Exchange; provided that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the U.S. Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the U.S. Securities Act) or a recognized national stock exchange in the PRC, including the National Equities Exchange and Quotation System, such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

"Rating Agencies" means (1) S&P, (2) Moody's and (3) Fitch, provided that if S&P, Moody's or Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Parent Guarantor, which shall be substituted for S&P, Moody's or Fitch, two of any of the three or all three of them, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's; "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Parent Guarantor or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets", that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Parent Guarantor or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets", the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of such two Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(d) in the event the Notes are rated by three or less than three Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Receivable Financing" means any financing transaction or series of financing transactions that have been or may be entered into by the Parent Guarantor or any Restricted Subsidiary pursuant to which the Parent Guarantor or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any receivables, royalty, other revenue streams or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling securities that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

"Receivable Financing Assets" means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Issuer in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

"Replacement Assets" means, on any date, (1) properties or assets that replace the properties and assets that were the subject of such Asset Sale that are used in a Permitted Business or (2) property or assets (other than current assets) that are used in a Permitted Business, including the Capital Stock of any Person holding such property or assets that is primarily engaged in a Permitted Business and is or will become, upon the acquisition by the Parent Guarantor or any of its Restricted Subsidiaries of such Capital Stock, a Restricted Subsidiary.

"Restricted Subsidiary" means any Subsidiary of the Parent Guarantor (including the Issuer) other than an Unrestricted Subsidiary.

"Restructuring" means any restructuring in relation to any Restructuring Group or the formation of any Restructuring Group and the Qualified IPO of the Capital Stock of a Subsidiary of the Parent Guarantor in the Restructuring Group.

"Restructuring Group" means any group(s) of Subsidiaries of the Parent Guarantor which are engaged in the Permitted Businesses as may be designated by the Parent Guarantor at its sole discretion.

"S&P" means S&P Global Ratings, a division of S&P Global Inc. and its successor.

"SAFE" means the State Administration of Foreign Exchange of the PRC.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Parent Guarantor or any Restricted Subsidiary transfers such property to another Person and the Parent Guarantor or any Restricted Subsidiary leases it from such Person.

"Secured Indebtedness" means any Indebtedness of the Parent Guarantor or a Restricted Subsidiary secured by a Lien.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Securitization Fees" means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

"Standard Non-recourse Receivable Financing Undertakings" means representations, warranties, undertakings, covenants and indemnities entered into by the Parent Guarantor or any Restricted Subsidiary which the Parent Guarantor has determined in good faith to be customary for a seller or servicer of assets in Non-recourse Receivable Financings.

"Senior Indebtedness" of the Parent Guarantor or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Parent Guarantor or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Issuer, the Notes or (b) in respect of the Parent Guarantor, the Parent Guarantee; provided that Senior Indebtedness does not include (1) any obligation to the Parent Guarantor or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

"Settlement Date" means September 28, 2023, being the second anniversary of the original Issue Date.

"Significant Restricted Subsidiary" means a Restricted Subsidiary, or group of Restricted Subsidiaries, that would, when taken together, be a "significant subsidiary" within the meaning of the definition of "significant subsidiary" in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; provided that in each instance in such definition in which the term "10 percent" is used, the term "5 percent" shall be substituted therefor.

"Staged Acquisition Agreement" means an agreement between the Parent Guarantor or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Parent Guarantor or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Parent Guarantor or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one instalment over a period of time.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final instalment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled instalment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such instalment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Parent Guarantor which is contractually subordinated or junior in right of payment to the Notes or the Parent Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subordinated Shareholder Loan" means any loan to the Parent Guarantor from Permitted Holders which (i) is subordinated in right of payment to the Notes and the Parent Guarantee and (ii) does not provide any cash payment of interest.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity (l) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (2) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is "controlled" and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (2) the occurrence of any event as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity, which shall be made in compliance with the covenant under the caption "— Limitation on Restricted Payments."

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America, any state of the European Economic Area, the PRC and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally guaranteed by the United States of America, any state of the European Economic Area, the PRC and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations guaranteed by, any state of the European Economic Area, shall be rated at least "A" by S&P or Moody's;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the U.S. Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Parent Guarantor) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P or Fitch;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's or Fitch;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) (i) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any banks or financial institutions organized under the laws of the PRC, Hong Kong, United Kingdom, Singapore, Luxembourg, United States of America or (ii) any financial products for which any such bank or financial institutions guarantees or undertake for the return of at least 100% of the principal amount thereof; and

(8) investment products that are principal protected with any bank or financial institution organized under the laws of the PRC or Hong Kong if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months' notice.

"Total Assets" means, as of any date, the total consolidated assets of the Parent Guarantor and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); provided that:

(1) only with respect to clause (2)(h) of "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant and the definition of "Permitted Subsidiary Indebtedness," Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Parent Guarantor or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;

(2) only with respect to clause (2)(r) of "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Parent Guarantor as a result of such Person becoming a Restricted Subsidiary; and

(3) only with respect to clauses (2)(h), (p), (q), (r), (t), (v) and (w) of "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant, Total Assets as of such last day shall be calculated to give effect to the appraised value of assets classified under the line items and "inventories" and "investment properties" appearing under the consolidated balance sheet of such financial statements, to the extent that (a) such appraised value shall be determined by a recognized property valuer that shall be an Independent Third Party, (b) such appraisal shall be made no earlier than six months prior to the date of such last day and

(c) such appraisal shall be based on assumptions and estimates that are reasonable and customary, consistent with market practice for real estate developers operating in a similar geographical location, based upon an opinion from an accounting or investment banking firm of recognized international standing.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Trust Company Investor" means an Independent Third Party that is a financial institution, an insurance or a trust company organized under the laws of the PRC, or an Affiliate thereof, that Invests in any Capital Stock of a PRC Restricted Subsidiary.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Parent Guarantor that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain BVI, PRC and HK tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

BVI Taxation

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands. Payments of principal, premium or interest in respect of the Notes to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realized with respect to the Notes by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to the Notes.

All instruments relating to transactions in respect of the Notes are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes to non-resident holders is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management body" are within the territory of China are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC EIT at the rate of 25% in respect of their taxable income. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC EIT at the rate of 25% on its taxable income. As of the date of this offering memorandum, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay EIT on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer may be required to withhold income tax from the payments of interest in respect of the Notes to any non-PRC Noteholder, and gain from the disposition of the Notes may be subject to PRC tax, if the income or gain is treated as PRC-sourced. The tax rate is generally 10% for non-resident enterprise Noteholders and 20% in the case of non-resident individual Noteholders, subject to the provisions of any applicable income tax treaty. Payments under the Parent Guarantee will be subject to withholding at the rates described above. The Issuer and the Parent Guarantor have agreed to pay additional amounts to Noteholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the "Description of the Notes."

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside the PRC, as is expected to be the case).

Hong Kong

Withholding Tax

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

Stamp Duty

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

Profits Tax

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

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

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

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "IRO")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

PLAN OF DISTRIBUTION

CNCB (Hong Kong) Capital Limited, China CITIC Bank International Limited, Citigroup Global Markets Limited, China International Capital Corporation Hong Kong Securities Limited and Vision Capital International Holdings Limited are acting as the joint bookrunners and joint lead managers of the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each Initial Purchaser named below has severally agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite such Initial Purchaser's name.

Initial Purchaser	**Principal Amount of Notes**
	(US$)
CNCB (Hong Kong) Capital Limited.	50,000,000
China CITIC Bank International Limited	50,000,000
Citigroup Global Markets Limited	50,000,000
China International Capital Corporation Hong Kong Securities Limited	50,000,000
Vision Capital International Holdings Limited	50,000,000
Total	**250,000,000**

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. In addition, we have agreed with the Initial Purchasers that we will pay a commission to private banks in connection with the purchase of the Notes by their private bank clients, which commission will be deducted from the purchase price for the Notes payable by such private banks upon settlement.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum only outside the United States in offshore transactions in reliance of Regulation S. The price at which the Notes are offered may be changed at any time without notice. The Notes and the Parent Guarantee have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

We have agreed that, for a period of 15 days from the date of this offering memorandum, we will not, without the prior written consent of the Initial Purchasers, directly or indirectly, issue, sell, offer or agree to sell, pledge, grant any option to purchase, make a short sale or otherwise dispose of, any other debt securities of the Issuer or the Parent Guarantor or debt securities guaranteed by the Issuer or Parent Guarantor or securities of the Issuer or Parent Guarantor that are convertible into, or exchangeable for, the Notes and the Parent Guarantee or such other debt securities outside of the PRC. The Initial Purchasers in their sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

The Notes will constitute a new class of securities with no established trading market.

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only.

Each of the Initial Purchasers or their respective affiliates appointed and acting as the stablilzation manager, or any person acting on its behalf, provided that China CITIC Bank International Limited shall not be acting as the stabilisation manager (the "Stablilzation Manager"), may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Stablilzation Manager to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers make any representation that the Stablilzation Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Initial Purchaser or its affiliate on behalf of the Issuer in such jurisdiction.

An affiliate of the Issuer is expected to subscribe for the Notes as an initial investor.

The Parent Guarantor indirectly holds equity interest in CNCB (Hong Kong) Capital Limited and China CITIC Bank International Limited, two of the joint global coordinators for the offering of the Notes, and conflict of interest may arise out of the aforementioned relationship.

The Initial Purchasers or its affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or its affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes. We may also, from time to time, enter into facilities and loans agreements with the Initial Purchasers or their respective affiliates in the ordinary course of business in order to replenish our liquidity. Our obligations under these transactions may be secured by cash or other collateral.

In connection with this offering of the Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any of our other securities or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, a small number of investors or a single investor may purchase a significant portion of the aggregate principal amount of the Notes in this offering. The existence of any such significant holders of the Notes may constrain the trading price and liquidity of the Notes (see "Risk Factors — Risks Relating to the Notes and the Parent Guarantee — A trading market for the Notes may not develop, and the existence of significant holders of the Notes may further constrain the trading price and liquidity of the Notes" and "Risk Factors — Risks Relating to the Notes and the Parent Guarantee — Certain subsidiaries or affiliates of the Issuer or the Parent Guarantor may subscribe for the Notes as initial investors and the Parent Guarantor and its subsidiaries may purchase the Notes in the secondary market. This may constrain the trading price and liquidity of the Notes"). The Issuer, the Parent Guarantor and the Initial Purchasers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors otherwise than in accordance with any applicable legal or regulatory requirements.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

SELLING RESTRICTIONS

General

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes and the Parent Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes and the Parent Guarantee are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes and the Parent Guarantee, an offer or sale of Notes and the Parent Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

European Economic Area

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this offering memorandum in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

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

(ii) a customer within the meaning of Directive (EU)2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of sales to UK Retail Investors

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

United Kingdom

Each invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA") in connection with the issue or sale of the Notes has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to the Company. In addition, all applicable provisions of the FSMA with respect to anything done by the Initial Purchasers in relation to the Notes in, from or otherwise involving the United Kingdom has been complied and will be complied.

Hong Kong

Each Initial Purchaser has represented and agreed that:

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

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

Japan

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

Singapore

Each Initial Purchaser has acknowledged that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes may not be circulated or distributed, nor may any Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

- a 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

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

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

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

- where no consideration is or will be given for the transfer;

- where the transfer is by operation of law;

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

- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRC

The Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

British Virgin Islands

No invitation has been or will be made directly or indirectly to the public in the British Virgin Islands or any natural person resident or citizen in the British Virgin Islands to subscribe for any of the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws. This offering circular does not constitute, and will not be, an offering of the Notes to any person in the British Virgin Islands.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes. The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1 You understand and acknowledge that:

- the Notes have not been registered under the Securities Act or any other applicable securities laws;
- the Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
- the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
- unless so registered, the Notes may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and, in each case, in compliance with the conditions for transfer set forth in paragraph 4 below.

2 You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, you are not acting on our behalf, and you are purchasing the Notes in an offshore transaction in accordance with Regulation S.

3 You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes, including an opportunity to ask questions of and request information from us.

4 You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act.

5 You also acknowledge that each Note will contain a legend substantially to the following effect:

THIS NOTE HAS 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 OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD,

ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

6 You acknowledge that we, the Initial Purchasers, the Trustee, the Transfer Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Notes is no longer accurate, you will promptly notify us and the Initial Purchaser. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

7 You understand that the Notes will be represented by a global note and that transfers thereto are restricted as described under "Description of the Notes — Book-Entry; Delivery and Form."

SUMMARY OF CERTAIN MATERIAL DIFFERENCES BETWEEN PRC GAAP AND IFRS

Our consolidated financial statements included in this offering memorandum have been prepared and presented in accordance with PRC GAAP. Certain differences exist between PRC GAAP and IFRS which might be relevant to our financial information included herein.

The following is a general summary of certain differences between PRC GAAP and IFRS as applicable to us. The differences identified below are limited to those significant differences that are appropriate to our financial statements. We are responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the summary.

We have not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and have not quantified such differences. Had any such quantification or reconciliation been undertaken by us, other potentially significant accounting and disclosure differences may be required that are not identified below. In addition, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standard.

Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects on-going that could affect future comparisons such as this one. Furthermore, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. As a result, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete.

In making an investment decision, you must rely upon your own examination of our financial information, the terms of the offering and other disclosure contained herein.

Accounting Year

Under PRC GAAP, the accounting year shall run from January 1 to December 31.

IFRS requires financial statements to be presented at least annually. However, it does not specify the start or end of the financial reporting period and permits an entity to change its reporting date.

Format of Financial Statements and Items Presented

PRC GAAP contains detailed requirements on the format of financial statements and the items to be presented.

IFRS sets out overall principles and minimum line items to be presented but does not prescribe the formats in detail.

Classification of Expenses in the Income Statement/Statement of Comprehensive Income

Under PRC GAAP, expenses must be classified based on their function in the income statement.

Under IFRS, enterprises may classify expenses either based on the nature of the expenses or their function in the statement of comprehensive income, depending on which format is considered reliable and more relevant.

Statement of Cash Flows

Under PRC GAAP, the direct method together with a supporting note reconciling operating result to cash flows arising from operations is the only permitted method.

Under IFRS, enterprises can choose whether to present cash flows from operating activities using the direct method or indirect method. Typically, entities reporting under IFRS use the indirect method.

Accounting for Business Combinations Involving Entities under Common Control

Under PRC GAAP, business combinations involving entities under common control shall be accounted for using a method of accounting similar to the pooling of interests method.

IFRS provides a definition of "Business combinations involving enterprises under common control." However, it uses this definition to scope out such business combinations from the requirements of IFRS and does not contain any alternative detailed accounting rules for such transactions.

In practice, divergent accounting treatments exist under IFRS. For example, some enterprises refer to generally accepted accounting principles in the United States, which is similar to PRC GAAP in principle. However, other enterprises apply the accounting treatments of business combinations not involving enterprises under common control as set out in IFRS.

Non-Controlling Interest/Minority Interest

Under PRC GAAP, the acquirer should always recognize the minority interest at the minority shareholders' proportionate interest in the acquiree's identifiable net assets.

Under IFRS, the acquirer can choose, on an acquisition by acquisition basis, whether to measure components of non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Investment Properties

Under PRC GAAP, an enterprise shall use the cost model, unless there is clear evidence that the fair value of an investment property can be reliably determined on a continuing basis, in which case the fair value model can (but need not) be used for that property.

Under IFRS, an enterprise should make a policy choice to use either the cost model or fair value model.

Fixed Assets and Intangible Assets

Under PRC GAAP, only the cost model is permitted.

Under IFRS, an enterprise should make a policy choice, on a class by class basis, to carry items of property, plant and equipment held for own use using either the cost model or the revaluation model.

Borrowing Costs Eligible for Capitalization

Under PRC GAAP all exchange differences arising from the retranslation of the principal and interest of a specific foreign currency borrowing are eligible for capitalization.

Under IFRS, borrowing costs eligible for capitalization include exchange differences arising from foreign currency borrowings only to the extent that they represent an adjustment to interest costs.

Impairment of Assets (Including Long-Term Assets Measured at Historical Cost, Such as Fixed Assets and Intangible Assets, and Assets Held for Sale)

Under PRC GAAP, once an impairment loss is recognized, it shall not be reversed in a subsequent period.

Under IFRS, impairment losses recognized in prior periods for an asset other than goodwill should be reversed when the recoverable amount of the asset increases as a result of a change in estimates.

Land Use Rights

Under PRC GAAP, the cost of acquiring a land use right is generally recognized as investment property, intangible assets (if held for own use) or inventories, depending on the use of the land.

Under IFRS, the cost of acquiring a land use right (or other leasehold interest in land) is generally recognized as an operating lease prepayment, and cannot be revalued. The only exception is where the land interest is eligible to be classified as investment property. There is diversity in practice as to whether the cost of land use rights (or other leasehold interests held under operating leases) is classified as inventory when the land interest is held for re-sale in the ordinary course of business.

Government Grants Related to Assets

Under PRC GAAP, only the deferred income method is acceptable and the income shall be amortized to profit or loss on a straight-line basis over the useful life of the asset.

Under IFRS, an enterprise can choose either one of the following methods for recognition of government grants relating to assets:

- the grant is presented as deferred income in the statement of financial position and is recognized in profit or loss on a systematic basis over the useful life of the asset; or

- the grant is deducted in arriving at the carrying amount of the asset.

Pursuant to the revised Accounting Standards for Enterprises No. 16 — Government Grants (Cai Kuai [2017] No.15), effective from June 12, 2017, an enterprise may choose either one of the two available methods which are similar in principle to these under IFRS for recognition of governmental grants relating to assets. As such, there have been no material differences between PRC GAAP and IFRS in respect of government grants related to assets as of January 1, 2017.

RATINGS

The Notes are expected to be rated "B-" by S&P. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. Additionally, we have been assigned a long-term corporate credit rating of "B" with a stable outlook by S&P and a long-term foreign currency issuer default rating of "B-" with a stable outlook by Fitch. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by King & Wood Mallesons as to matters of United States federal and New York law and as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchasers by Latham & Watkins LLP as to matters of United States federal and New York law and Grandall Law Firm as to matters of PRC law.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company as of and for the years ended December 31, 2019 and 2020 have been audited by our independent auditor, Pan-China, as stated in their reports appearing herein. The consolidated financial statements of the Company have only been prepared in Chinese and an English translation of which has been prepared and included in this offering memorandum for reference only.

Pan-China has acknowledged the inclusion in this offering memorandum of all references to its name, its accountants' reports on our consolidated financial information as of and for each of the years ended December 31, 2019 and 2020, in the form and context in which they are respectively included in this offering memorandum.

GENERAL INFORMATION

CONSENTS

All necessary consents, approvals and authorizations have been obtained in the PRC and the British Virgin Islands in connection with the issue and performance of the Notes, and the execution and performance of the Parent Guarantee. The entering into of the Indenture and the issue of the Notes have been authorized by resolutions of the sole director of the Issuer dated August 17, 2021. The entering into and performance of the Parent Guarantee have been authorized by resolutions of our Board of Directors dated August 14, 2020 and by resolutions of our shareholders dated August 31, 2020.

DOCUMENTS AVAILABLE

For so long as any of the Notes are outstanding upon prior written request and satisfactory proof and identity of holding, copies of the Indenture may be inspected during normal business hours (being between 9:00 a.m. and 3:00 p.m. (Hong Kong time)) on any weekday (except public holidays) at the corporate trust office of the Trustee (being as at the Issue Date at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong).

For so long as any of the Notes are outstanding, copies of our audited financial statements for the past two fiscal years, if any, may be obtained during normal business hours on any weekday (except public holidays) at our corporate headquarters located at 11th Floor, Xinhu Commercial Mansion, 128 Xixi Road, Hangzhou, Zhejiang Province, PRC.

CLEARING SYSTEM AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream under the Common Code number 238769892 and the International Securities Identification Number for the Notes is XS2387698926. Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

LISTING OF THE NOTES

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only and such permission is expected to become effective on or about September 29, 2021.

LITIGATION

Save as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in this offering memorandum, there has been no material adverse change in the financial or trading position or prospects of the Parent Guarantor since December 31, 2020.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTANT'S REPORTS

Audited Consolidated Financial Statements as of and for the Year Ended December 31, 2020 of the Company

Audited Consolidated Financial Statements as of and for the Year Ended December 31, 2019 of the Company

Auditor’s Report

PCCPAAR [2021] No. 4808

To the Shareholders of Xinhu Zhongbao Co., Ltd.:

I. Audit Opinion

We have audited the accompanying financial statements of Xinhu Zhongbao Co., Ltd. (the “Company”), which comprise the consolidated and parent company balance sheets as at December 31, 2020, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

II. Basis for Audit Opinion

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

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

(I) Recognition of revenue from real estate sales

1. Key audit matters

In 2020, revenue from real estate sales amounted to 10.386 billion yuan, accounting for 75.31% of the total operating revenue. Please refer to section III (XXVII) of the notes to financial statements for details on revenue recognition principles for real estate sales. As revenue from real estate sales is one of the key performance indicators, which is significant for the current period financial statements, we have identified recognition of revenue from real estate sales as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for revenue recognition are as follows:

(1) We obtained understandings of the design and execution of the internal controls related to recognition of revenue from real estate sales, and tested the effectiveness of those internal controls;

(2) We selected samples from the record of revenue from main operations, and checked the supporting documents of revenue recognition including house purchasing contracts, invoices, bank slips, notices of delivery and signed list of households;

(3) We performed random inspection and stocktaking on the real estate reaching delivery conditions but not yet delivered;

(4) For revenue from real estate sales recognized before and after the balance sheet date, we selected samples from the record of revenue from main operations, and checked whether the sales revenue was recognized in proper accounting period; and

(5) We obtained progress of opening and presale of each housing project, and checked the preselling licenses, sales contracts and receipts; we obtained understandings of the selling prices of similar buildings near the project we checked, and compared them with the selling prices of the Company.

(II) Pricing and allocation of inventories

1. Key audit matters

As of December 31, 2020, the carrying amount of inventories of real estate business amounted to 52.132 billion yuan, accounting for 38.42% of the closing balance of total assets. Please refer to section III (XI) of the notes to financial statements for details on accounting policies for inventory pricing and allocation. As the accounting of real estate business involves a lot of aggregation, allocation and estimation, which involves significant estimation and judgement of the Company's Management (the "Management"), and inventories account for a great proportion of the closing balance of total assets, we have identified inventory pricing and allocation as key audit matters.

2. Responsive audit procedures

Our main audit procedures for pricing and allocation of inventories are as follows:

(1) We obtained understandings of the design and execution of the internal controls related to inventory accounting, and tested the effectiveness of those internal controls;

(2) We checked Contracts for State-Owned Construction Land Use Right Assignment, licenses and documents related to construction projects, contracts and ledgers of real estate development, as well as significant purchase contracts or settlement slips. We obtained understandings of the projects, reviewed aggregation and allocation of the actual development costs;

(3) We checked documents including acceptance document of construction, area measurement report, and reviewed the calculating table of total cost and unit cost for development products; and

(4) According to sale area and unit cost of development products in each project, we reviewed and recalculated the cost of main operations to test the accuracy of former calculations.

(III) Equity investments

1. Key audit matters

As of December 31, 2020, the carrying amount of long-term equity investments, other equity investments and other non-current financial assets totaled 49.804 billion yuan, accounting for 36.71% of the closing balance of total assets.

As the classification and accounting of equity investments involve significant judgement of the Management, which may have great influence on the financial statements, we have identified equity investments as key audit matters.

2. Responsive audit procedures

Our main audit procedures for classification and accounting of equity investments are as follows:

(1) We obtained understanding of the design and execution of the internal controls related to equity investments, and tested the effectiveness of the operation of those internal controls;

(2) We checked investment contracts, the Articles of Association of investees, partnership agreements, organizational structures and the information about assignment of key executives to understand the purpose of investments, and reviewed the accounting records to check the classification and accounting methods of equity investments;

(3) We obtained the financial statements as of the balance sheet date or auditor's report thereon of investees. For those involving accounting of adjustments under equity method, we reviewed the amount of adjustments accounted under equity method based on the financial statements of investees and other information; and

(4) We reviewed the calculation process of provision for impairment of equity investments.

IV. Other Information

The Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements

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

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

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

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP

Hangzhou · China

天健会计师事务所（特殊普通合伙）

Chinese Certified Public Accountant: 许松飞

(Engagement Partner)

许松飞印

Chinese Certified Public Accountant: 程度

程度之印

Date of Report: April 28, 2021

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Xinhu Zhongbao Co., Ltd.
Consolidated balance sheet as at December 31, 2020
(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2019
Current assets:			
Cash and bank balances	1	16,921,091,875.26	14,690,206,376.51
Settlement funds			
Loans to other banks			
Held-for-trading financial assets	2	2,465,165,700.06	1,944,633,509.35
Derivative financial assets			
Notes receivable	3		
Accounts receivable	4	63,980,622.54	45,265,866.29
Receivables financing			
Advances paid	5	127,745,501.83	215,397,376.89
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Other receivables	6	6,603,069,403.19	6,881,205,663.88
Financial assets under reverse repo			
Inventories	7	52,131,890,041.09	68,717,245,368.72
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year	8	10,079,000.00	27,800,000.00
Other current assets	9	1,529,423,106.85	1,322,958,930.63
Total current assets		79,852,445,250.82	93,844,713,092.27
Non-current assets:			
Loans and advances paid			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	10	38,870,559,580.70	34,929,043,511.51
Other equity instrument investments	11	3,714,933,588.23	2,343,017,940.64
Other non-current financial assets	12	7,218,803,121.95	8,400,632,122.95
Investment property	13	2,757,082,327.15	1,738,337,752.47
Fixed assets	14	498,800,390.05	518,804,159.37
Construction in progress	15	32,699,102.33	13,530,383.08
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	16	135,458,703.88	144,726,096.16
Development expenditures	17	927,501,821.52	880,763,162.77
Goodwill			
Long-term prepayments	18	33,853,536.20	24,804,878.25
Deferred tax assets	19	1,495,412,884.36	1,161,841,143.22
Other non-current assets	20	147,012,963.75	31,806,562.61
Total non-current assets		55,832,118,020.12	50,187,307,713.03
Total assets		135,684,563,270.94	144,032,020,805.30

Legal representative: 林俊波 Office in charge of accounting: 潘 Head of accounting department: 胡倩倩

Xinhu Zhongbao Co., Ltd.

Consolidated balance sheet as at December 31, 2020 (continued)

(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	December 31, 2019
Current liabilities:			
Short-term borrowings	21	5,788,576,339.48	3,959,937,053.22
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	22	642,416,000.00	432,363,905.00
Accounts payable	23	3,489,031,617.48	3,197,714,791.31
Advances received	24	15,545,072.85	18,560,218,260.37
Contract liabilities	25	20,620,622,710.71	
Financial liabilities under repo			
Absorbing deposit and interbank deposit			
Deposit for agency security transaction			
Deposit for agency security underwriting			
Employee benefits payable	26	33,764,564.69	30,786,502.51
Taxes and rates payable	27	1,835,926,829.86	1,939,008,597.88
Other payables	28	11,184,651,552.85	4,752,808,897.67
Handling fee and commission payable			
Reinsurance accounts payable			
Liabilities classified as held for sale			
Non-current liabilities due within one year	29	11,036,367,628.48	18,744,115,900.31
Other current liabilities	30	5,131,701,234.20	3,389,635,592.36
Total current liabilities		59,778,603,550.60	55,006,589,500.63
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings	31	26,455,693,255.11	35,543,834,301.87
Bonds payable	32	8,016,313,837.49	13,795,209,454.02
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions	33	63,719,952.00	60,000,000.00
Deferred income	34	170,772,862.67	170,435,214.22
Deferred tax liabilities	19	7,501,246.74	67,005.23
Other non-current liabilities	35	2,663,800,000.00	4,292,400,000.00
Total non-current liabilities		37,377,801,154.01	53,861,945,975.34
Total liabilities		97,156,404,704.61	108,868,535,475.97
Equity:			
Share capital	36	8,599,343,536.00	8,599,343,536.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	37	8,983,479,694.35	7,593,062,406.22
Less: Treasury shares	38	600,096,772.36	496,710,118.89
Other comprehensive income	39	-13,797,778.40	130,008,669.56
Special reserve			
Surplus reserve	40	1,266,091,633.20	1,185,552,642.96
General risk reserve			
Undistributed profit	41	19,602,180,806.05	17,423,654,242.74
Total equity attributable to the parent company		37,837,201,118.84	34,434,911,378.59
Non-controlling interest		690,957,447.49	728,573,950.74
Total equity		38,528,158,566.33	35,163,485,329.33
Total liabilities & equity		135,684,563,270.94	144,032,020,805.30

Legal representative: Office in charge of accounting: Head of accounting department:

Xinhu Zhongbao Co., Ltd.

Parent company balance sheet as at December 31, 2020

(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2019
Current assets:			
Cash and bank balances		5,019,037,371.44	5,400,910,505.14
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	1	2,602,568.42	478,896.02
Receivables financing			
Advances paid		110,043,988.90	51,319,759.36
Other receivables	2	15,223,260,715.43	18,077,012,294.47
Inventories		317,160.48	324,096.06
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			400,000,000.00
Other current assets		66,023,396.83	40,876,909.71
Total current assets		20,421,285,201.50	23,970,922,460.76
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			314,284,000.00
Long-term equity investments	3	10,215,299,372.13	13,588,769,909.25
Other equity instrument investments		4,468,410,769.93	6,821,101,038.09
Other non-current financial assets		5,996,592,848.84	3,224,604,842.50
Investment property		46,367,680.40	48,310,946.60
Fixed assets		18,090,378.14	18,684,140.51
Construction in progress			
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets		421,962.69	691,555.47
Development expenditures			
Goodwill			
Long-term prepayments		860,804.00	
Deferred tax assets			
Other non-current assets			
Total non-current assets		20,746,043,816.13	24,016,446,432.42
Total assets		41,167,329,017.63	47,987,368,893.18

Legal representative: 林俊波　　Office in charge of accounting: 谢　　Head of accounting department: 胡倩倩

Xinhu Zhongbao Co., Ltd.
Parent company balance sheet as at December 31, 2020 (continued)
(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	December 31, 2019
Current liabilities:			
Short-term borrowings		3,226,827,055.63	2,985,625,706.84
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable		600,000,000.00	400,000,000.00
Accounts payable		1,161,314.31	399,080.00
Advances received		201,534.44	907,751.97
Contract liabilities		9,736,686.82	
Employee benefits payable		3,225,738.73	2,663,908.10
Taxes and rates payable		2,125,334.16	3,109,485.41
Other payables		8,225,496,942.32	6,998,015,070.10
Liabilities classified as held for sale			
Non-current liabilities due within one year		5,441,426,037.70	6,704,255,248.21
Other current liabilities		548,218.44	487,317,413.70
Total current liabilities		17,510,748,862.55	17,582,293,664.33
Non-current liabilities:			
Long-term borrowings		231,590,000.00	
Bonds payable		3,963,314,470.37	7,544,321,774.58
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities		1,673,800,000.00	2,902,400,000.00
Total non-current liabilities		5,868,704,470.37	10,446,721,774.58
Total liabilities		23,379,453,332.92	28,029,015,438.91
Equity:			
Share capital		8,599,343,536.00	8,599,343,536.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		8,237,781,355.80	7,807,475,944.70
Less: Treasury shares		600,096,772.36	496,710,118.89
Other comprehensive income		-2,678,050,413.22	-301,918,191.46
Special reserve			
Surplus reserve		1,188,153,767.55	1,107,614,777.31
Undistributed profit		3,040,744,210.94	3,242,547,506.61
Total equity		17,787,875,684.71	19,958,353,454.27
Total liabilities & equity		41,167,329,017.63	47,987,368,893.18

Legal representative: Office in charge of accounting: Head of accounting department:

Xinhu Zhongbao Co., Ltd.

Consolidated income statement for the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue		13,792,021,061.89	14,810,295,115.09
Including: Operating revenue	1	13,792,021,061.89	14,810,295,115.09
Interest income			
Premiums earned			
Revenue from handling charges and commission			
II. Total operating cost		15,144,803,872.00	14,899,955,243.75
Including: Operating cost	1	9,710,218,504.43	9,553,992,248.96
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges	2	1,826,626,829.62	1,877,984,381.86
Selling expenses	3	394,018,537.57	397,317,198.81
Administrative expenses	4	463,732,978.93	445,335,489.44
R&D expenses			
Financial expenses	5	2,750,207,021.45	2,625,325,924.68
Including: Interest expenses		2,685,240,838.27	2,707,210,694.81
Interest income		160,655,369.53	175,827,704.50
Add: Other income	6	8,627,915.29	3,837,118.08
Investment income (or less: losses)	7	4,608,921,800.56	3,643,634,240.20
Including: Investment income from associates and joint ventures		2,794,762,657.90	2,850,831,623.70
Gains from derecognition of financial assets at amortized cost			
Gains on foreign exchange (or less: losses)			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)	8	-177,665,896.01	-689,713,896.08
Credit impairment loss	9	-192,903,551.55	-2,614,190.17
Assets impairment loss	10	-163,858,228.44	-29,969,225.83
Gains on asset disposal (or less: losses)	11	2,846,990.68	185,216.21
III. Operating profit (or less: losses)		2,733,186,220.42	2,835,699,133.75
Add: Non-operating revenue	12	1,050,607,205.60	10,955,606.15
Less: Non-operating expenditures	13	48,220,228.61	90,333,269.50
IV. Profit before tax (or less: total loss)		3,735,573,197.41	2,756,321,470.40
Less: Income tax	14	444,597,120.45	644,694,535.73
V. Net profit (or less: net loss)		3,290,976,076.96	2,111,626,934.67
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		3,290,976,076.96	2,111,626,934.67
2. Net profit from discontinued operations (or less: net loss)			
(II) Categorized by the portion of equity ownership			
1. Net profit attributable to owners of parent company (or less: net loss)		3,164,500,005.56	2,153,412,681.24
2. Net profit attributable to non-controlling shareholders (or less: net loss)		126,476,071.40	-41,785,746.57
VI. Other comprehensive income after tax	15	-158,995,718.94	-97,102,590.52
Items attributable to the owners of the parent company		-158,995,718.94	-97,102,590.52
(I) Not to be reclassified subsequently to profit or loss		-175,332,263.98	-55,023,600.54
1. Changes in remeasurement on the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss		-51,051,696.99	-43,325,345.58
3. Changes in fair value of other equity instrument investments		-124,280,566.99	-11,698,254.96
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss		16,336,545.04	-42,078,989.98
1. Items under equity method that may be reclassified to profit or loss		-382,568,403.23	122,464,540.33
2. Changes in fair value of other debt investments			
3. Profit or loss from reclassification of financial assets into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Translation reserve		398,904,948.27	-164,543,530.31
7. Others			
Items attributable to non-controlling shareholders			
VII. Total comprehensive income		3,131,980,358.02	2,014,524,344.15
Items attributable to the owners of the parent company		3,005,504,286.62	2,056,310,090.72
Items attributable to non-controlling shareholders		126,476,071.40	-41,785,746.57
VIII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)		0.38	0.25
(II) Diluted EPS (yuan per share)		0.38	0.25

Legal representative: Office in charge of accounting: Head of accounting department:

Xinhu Zhongbao Co., Ltd.

Parent company income statement for the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue	1	2,869,353,182.85	2,542,209,751.31
Less: Operating cost	1	2,859,788,603.56	2,531,662,016.91
Taxes and surcharges		3,752,580.41	3,106,430.50
Selling expenses			
Administrative expenses		68,423,423.37	61,128,852.81
R&D expenses			
Financial expenses		1,714,230,335.65	2,100,409,871.68
Including: Interest expenses		1,734,422,681.85	2,099,174,325.32
Interest income		99,893,925.89	74,192,493.55
Add: Other income		231,189.72	
Investment income (or less: losses)	2	2,505,330,797.09	3,152,831,304.80
Including: Investment income from associates and joint ventures		50,044,851.88	366,182,075.17
Gains from derecognition of financial assets at amortized cost			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)		75,496,622.96	-205,306,021.73
Credit impairment loss		-1,034,215.74	-63.89
Assets impairment loss			
Gains on asset disposal (or less: losses)		2,106,468.49	
II. Operating profit (or less: losses)		805,289,102.38	793,427,798.59
Add: Non-operating revenue		100,800.01	5,300.56
Less: Non-operating expenditures			1,450,808.39
III. Profit before tax (or less: total loss)		805,389,902.39	791,982,290.76
Less: Income tax			
IV. Net profit (or less: net loss)		805,389,902.39	791,982,290.76
(I) Net profit from continuing operations (or less: net loss)		805,389,902.39	791,982,290.76
(II) Net profit from discontinued operations (or less: net loss)			
V. Other comprehensive income after tax		-2,392,247,049.94	310,224,364.83
(I) Not to be reclassified subsequently to profit or loss		-2,369,775,359.83	334,975,452.64
1. Changes in remeasurement on the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss		-14,625,091.67	-3,833,175.35
3. Changes in fair value of other equity instrument investments		-2,355,150,268.16	338,808,627.99
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss		-22,471,690.11	-24,751,087.81
1. Items under equity method that may be reclassified to profit or loss		-22,471,690.11	-24,751,087.81
2. Changes in fair value of other debt investments			
3. Profit or loss from reclassification of financial assets into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Translation reserve			
7. Others			
VI. Total comprehensive income		-1,586,857,147.55	1,102,206,655.59
VII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)			
(II) Diluted EPS (yuan per share)			

Legal representative: 林俊波 Office in charge of accounting: Head of accounting department: 胡倩倩

Xinhu Zhongbao Co., Ltd.

Consolidated cash flow statement for the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services		19,042,548,614.63	18,294,860,439.70
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts from original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policy-holder deposit and investment			
Cash receipts from interest, handling charges and commission			
Net increase of loans from others			
Net increase of repurchase			
Net cash receipts from agency security transaction			
Receipts of tax refund		124,690,930.69	27,203,070.18
Other cash receipts related to operating activities	1	1,430,970,428.28	1,062,725,053.83
Subtotal of cash inflows from operating activities		20,598,209,973.60	19,384,788,563.71
Cash payments for goods purchased and services received		11,381,434,900.09	13,028,839,982.64
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payments for insurance indemnities of original insurance contracts			
Net increase of loans to others			
Cash payments for interest, handling charges and commission			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		477,550,131.58	463,793,449.51
Cash payments for taxes and rates		2,207,440,797.71	2,181,266,357.96
Other cash payments related to operating activities	2	1,492,368,165.86	1,443,383,002.01
Subtotal of cash outflows from operating activities		15,558,793,995.24	17,117,282,792.12
Net cash flows from operating activities		5,039,415,978.36	2,267,505,771.59
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments		2,248,257,328.32	1,683,526,028.94
Cash receipts from investment income		1,324,921,491.77	638,285,979.84
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		4,140,824.20	262,472.10
Net cash receipts from the disposal of subsidiaries & other business units		235,945,154.55	915,109,279.24
Other cash receipts related to investing activities	3	3,993,649,137.28	3,636,419,125.42
Subtotal of cash inflows from investing activities		7,806,913,936.12	6,873,602,885.54
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		61,474,083.86	48,299,746.03
Cash payments for investments		5,707,020,602.48	3,507,704,241.40
Net increase of pledged borrowings			
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities	4	4,120,172,497.04	1,295,252,120.23
Subtotal of cash outflows from investing activities		9,888,667,183.38	4,851,256,107.66
Net cash flows from investing activities		-2,081,753,247.26	2,022,346,777.88
III. Cash flows from financing activities:			
Cash receipts from absorbing investments		17,500,000.00	
Including: Cash received by subsidiaries from non-controlling shareholders as investments		17,500,000.00	
Cash receipts from borrowings		24,651,269,872.78	33,398,269,244.96
Other cash receipts related to financing activities	5	7,848,321,367.16	6,849,326,032.76
Subtotal of cash inflows from financing activities		32,517,091,239.94	40,247,595,277.72
Cash payments for the repayment of borrowings		27,647,309,954.33	35,518,456,648.48
Cash payments for distribution of dividends or profits and for interest expenses		4,853,467,850.45	6,054,434,234.23
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit			40,960,000.00
Other cash payments related to financing activities	6	4,504,671,461.64	5,012,253,514.52
Subtotal of cash outflows from financing activities		37,005,449,266.42	46,585,144,397.23
Net cash flows from financing activities		-4,488,358,026.48	-6,337,549,119.51
IV. Effect of foreign exchange rate changes on cash & cash equivalents		-206,972,650.60	-9,929,696.88
V. Net increase in cash and cash equivalents		-1,737,667,945.98	-2,057,626,266.92
Add: Opening balance of cash and cash equivalents		12,525,642,105.32	14,583,268,372.24
VI. Closing balance of cash and cash equivalents		10,787,974,159.34	12,525,642,105.32

Legal representative: Office in charge of accounting: Head of accounting department:

Xinhu Zhongbao Co., Ltd.

Parent company cash flow statement for the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		3,146,803,078.27	2,758,563,823.69
Receipts of tax refund			
Other cash receipts related to operating activities		59,396,037.87	95,921,794.68
Subtotal of cash inflows from operating activities		3,206,199,116.14	2,854,485,618.37
Cash payments for goods purchased and services received		3,190,235,243.80	833,472,755.26
Cash paid to and on behalf of employees		22,681,797.28	21,411,661.55
Cash payments for taxes and rates		5,518,951.00	16,349,488.65
Other cash payments related to operating activities		81,851,879.22	55,991,213.36
Subtotal of cash outflows from operating activities		3,300,287,871.30	927,225,118.82
Net cash flows from operating activities		-94,088,755.16	1,927,260,499.55
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments		4,320,816,832.40	1,808,237,590.38
Cash receipts from investment income		528,594,227.24	549,386,482.80
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		2,086,519.20	5,300.00
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities		30,962,892,434.33	27,203,196,003.47
Subtotal of cash inflows from investing activities		35,814,390,013.17	29,560,825,376.65
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		488,220.36	438,277.40
Cash payments for investments		4,544,829,984.42	1,448,715,543.97
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities		27,678,208,636.60	17,760,133,671.47
Subtotal of cash outflows from investing activities		32,223,526,841.38	19,209,287,492.84
Net cash flows from investing activities		3,590,863,171.79	10,351,537,883.81
III. Cash flows from financing activities:			
Cash receipts from absorbing investments			
Cash receipts from borrowings		5,813,452,360.00	4,562,000,000.00
Other cash receipts related to financing activities		6,852,788,018.03	11,393,080,584.59
Subtotal of cash inflows from financing activities		12,666,240,378.03	15,955,080,584.59
Cash payments for the repayment of borrowings		11,587,050,000.00	12,933,261,000.00
Cash payments for distribution of dividends or profits and for interest expenses		1,590,676,392.87	2,446,937,028.14
Other cash payments related to financing activities		5,150,670,981.83	11,683,430,072.07
Subtotal of cash outflows from financing activities		18,328,397,374.70	27,063,628,100.21
Net cash flows from financing activities		-5,662,156,996.67	-11,108,547,515.62
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-2,165,382,580.04	1,170,250,867.74
Add: Opening balance of cash and cash equivalents		5,087,467,869.24	3,917,217,001.50
VI. Closing balance of cash and cash equivalents		2,922,085,289.20	5,087,467,869.24

Legal representative: 林俊波 Office in charge of accounting: Head of accounting department: 胡倩倩

Xinhu Zhongbao Co., Ltd.

Consolidated statement of changes in equity for the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Current period cumulative												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred shares	Perpetual bonds	Others									
I. Balance at the end of prior year	8,599,343,536.00				7,593,062,406.22	496,710,118.89	130,008,669.56		1,185,552,642.96		17,423,654,242.74	728,573,950.74	35,163,485,329.33
Add: Cumulative changes of accounting policies							-6,463,660.78				-799,442,627.25	5,604,734.33	-800,301,553.70
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	8,599,343,536.00				7,593,062,406.22	496,710,118.89	123,545,008.78		1,185,552,642.96		16,624,211,615.49	734,178,685.07	34,363,183,775.63
III. Current period increase (or less: decrease)					1,390,417,288.13	103,386,653.47	-137,342,787.18		80,538,990.24		2,977,969,190.56	-43,221,237.58	4,164,974,790.70
(I) Total comprehensive income							-158,995,718.94				3,164,500,005.56	126,476,071.40	3,131,980,358.02
(II) Capital contributed or withdrawn by owners					1,390,417,288.13	103,386,653.47						41,002,691.02	1,328,033,325.68
1. Ordinary shares contributed by owners						103,386,653.47						41,002,691.02	-62,383,962.45
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others					1,390,417,288.13								1,390,417,288.13
(III) Profit distribution									80,538,990.24		-164,877,883.24	-210,700,000.00	-295,038,893.00
1. Appropriation of surplus reserve									80,538,990.24		-80,538,990.24		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-84,338,893.00	-210,700,000.00	-295,038,893.00
4. Others													
(IV) Internal carry-over within equity							21,652,931.76				-21,652,931.76		
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings							21,652,931.76				-21,652,931.76		
6. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
IV. Balance at the end of current period	8,599,343,536.00				8,983,479,694.35	600,096,772.36	-13,797,778.40		1,266,091,633.20		19,602,180,806.05	690,957,447.49	38,528,158,566.33

Legal representative: 林俊波

Office in charge of accounting: 许

Head of accounting department: 胡倩倩

Xinhu Zhongbao Co., Ltd.

Consolidated statement of changes in equity for the year ended December 31, 2020 (continued)

(Expressed in Renminbi Yuan)

Items	Preceding period comparative												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred shares	Perpetual bonds	Others									
I. Balance at the end of prior year	8,599,343,536.00				7,961,905,707.63		227,111,260.08		1,106,354,413.88		15,850,226,656.05	775,021,189.19	34,519,962,762.83
Add: Cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	8,599,343,536.00				7,961,905,707.63		227,111,260.08		1,106,354,413.88		15,850,226,656.05	775,021,189.19	34,519,962,762.83
III. Current period increase (or less: decrease)					-368,843,301.41	496,710,118.89	-97,102,590.52		79,198,229.08		1,573,427,586.69	-46,447,238.45	643,522,566.50
(I) Total comprehensive income							-97,102,590.52				2,153,412,681.24	-41,785,746.57	2,014,524,344.15
(II) Capital contributed or withdrawn by owners					-368,843,301.41	496,710,118.89						34,698,508.12	-830,854,912.18
1. Ordinary shares contributed by owners						496,710,118.89						34,698,508.12	-462,011,610.77
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others					-368,843,301.41								-368,843,301.41
(III) Profit distribution									79,198,229.08		-579,985,094.55	-39,360,300.00	-540,146,865.47
1. Appropriation of surplus reserve									79,198,229.08		-79,198,229.08		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-500,786,865.47	-39,360,300.00	-540,146,865.47
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
IV. Balance at the end of current period	8,599,343,536.00				7,593,062,406.22	496,710,118.89	130,008,669.56		1,185,552,642.96		17,423,654,242.74	728,573,950.74	35,163,485,329.33

Legal representative: 林俊波　　Office in charge of accounting: 谢平　　Head of accounting department: 胡倩倩

Xinhu Zhongbao Co., Ltd.

Parent company statement of changes in equity for the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Current period cumulative										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	8,599,343,536.00				7,807,475,944.70	496,710,118.89	-301,918,191.46		1,107,614,777.31	3,242,547,506.61	19,958,353,454.27
Add: Cumulative changes of accounting policies							-6,463,660.78			-796,590,125.37	-803,053,786.15
Error correction of prior period											
Others											
II. Balance at the beginning of current year	8,599,343,536.00				7,807,475,944.70	496,710,118.89	-308,381,852.24		1,107,614,777.31	2,445,957,381.24	19,155,299,668.12
III. Current period increase (or less: decrease)					430,305,411.10	103,386,653.47	-2,369,668,560.98		80,538,990.24	594,786,829.70	-1,367,423,983.41
(I) Total comprehensive income							-2,392,247,049.94			805,389,902.39	-1,586,857,147.55
(II) Capital contributed or withdrawn by owners					430,305,411.10	103,386,653.47					326,918,757.63
1. Ordinary shares contributed by owners						103,386,653.47					-103,386,653.47
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others					430,305,411.10						430,305,411.10
(III) Profit distribution									80,538,990.24	-164,877,883.24	-84,338,893.00
1. Appropriation of surplus reserve									80,538,990.24	-80,538,990.24	
2. Appropriation of profit to owners										-84,338,893.00	-84,338,893.00
3. Others											
(IV) Internal carry-over within equity							22,578,488.96			-22,578,488.96	
1.Transfer of capital reserve to capital											
2.Transfer of surplus reserve to capital											
3.Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings							22,578,488.96			-22,578,488.96	
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others										-23,146,700.49	-23,146,700.49
IV. Balance at the end of current period	8,599,343,536.00				8,237,781,355.80	600,096,772.36	-2,678,050,413.22		1,188,153,767.55	3,040,744,210.94	17,787,875,684.71

Legal representative: 林俊波 Office in charge of accounting: 许 Head of accounting department: 胡倩倩

Xinhu Zhongbao Co., Ltd.

Parent company statement of changes in equity for the year ended December 31, 2020 (continued)

(Expressed in Renminbi Yuan)

Item	Preceding period comparative										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	8,599,343,536.00				8,258,725,704.50		-1,360,162,978.01		1,028,416,548.23	3,778,570,732.12	20,304,893,542.84
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	8,599,343,536.00				8,258,725,704.50		-1,360,162,978.01		1,028,416,548.23	3,778,570,732.12	20,304,893,542.84
III. Current period increase (or less: decrease)					-451,249,759.80	496,710,118.89	1,058,244,786.55		79,198,229.08	-536,023,225.51	-346,540,088.57
(I) Total comprehensive income							310,224,364.83			791,982,290.76	1,102,206,655.59
(II) Capital contributed or withdrawn by owners					-451,249,759.80	496,710,118.89					-947,959,878.69
1. Ordinary shares contributed by owners						496,710,118.89					-496,710,118.89
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others					-451,249,759.80						-451,249,759.80
(III) Profit distribution									79,198,229.08	-579,985,094.55	-500,786,865.47
1. Appropriation of surplus reserve									79,198,229.08	-79,198,229.08	
2. Appropriation of profit to owners										-500,786,865.47	-500,786,865.47
3. Others											
(IV) Internal carry-over within equity							748,020,421.72			-748,020,421.72	
1.Transfer of capital reserve to capital											
2.Transfer of surplus reserve to capital											
3.Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings							748,020,421.72			-748,020,421.72	
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	8,599,343,536.00				7,807,475,944.70	496,710,118.89	-301,918,191.46		1,107,614,777.31	3,242,547,506.61	19,958,353,454.27

Legal representative:

Office in charge of accounting:

Head of accounting department:

Xinhu Zhongbao Co., Ltd.
Notes to Financial Statements

For the year ended December 31, 2020

Monetary unit: RMB Yuan

I. Company profile

Xinhu Zhongbao Co., Ltd. (the "Company") was established in August 1992 through private placement under the approval of the joint-stock pilot work coordination group of the People's Government of Zhejiang Province. Its original registered capital was 50,000,000 yuan, with a total of 5,000,000 shares (each with par value of 10 yuan). The Company has obtained a business license with united social credit code of 91330000142941287T. The Company's shares were listed at Shanghai Stock Exchange on June 23, 1999 with stock code of 600208. After several share split and distribution, capital increase, private placement, repurchasing and absorbing merger with 浙江新湖创业投资股份有限公司 (Zhejiang Xinhu Venture Investment Co., Ltd.*), as of December 31, 2020, the Company's registered capital has been increased to 8,599,343,536.00 yuan, with a total of 8,599,343,536 shares (each with par value of one yuan), of which, 1,171,615 shares are restricted outstanding A shares, and 8,598,171,921 shares are unrestricted outstanding A shares.

The Company belongs to real estate industry. Its main operating activities are real estate development, investment, and commercial trade, etc. Its main products are commercial housing properties.

The financial statements were approved and authorized for issue by the 33rd meeting of the tenth session of the Board of Directors dated April 28, 2021.

The Company has brought 139 subsidiaries including 新湖地产集团有限公司 (Xinhu Real Estate Group Co., Ltd.*) into the consolidated scope. Please refer to changes in the consolidation scope and interest in other entities for details.

II. Preparation basis of the financial statements

(I) Preparation basis

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

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

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

* *The English names are for identification purpose only.*

III. Significant accounting policies and estimates

Important note:

The Company has set up accounting policies and estimates on transactions or events such as impairment of financial instruments, depreciation of fixed assets, amortization of intangible assets, and revenue recognition, etc. based on the Company's actual production and operation features.

(I) Statement of compliance

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

(II) Accounting period

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

(III) Operating cycle

Except for the real estate industry, the Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months. The operating cycle for real estate industry starts from the development of property and ends at sales, which normally extends over 12 months and is subject to specific projects, therefore, an asset or a liability is classified as current if it is expected to be realized or due within such operating cycle.

(IV) Functional currency

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

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

1. Accounting treatment of business combination under common control

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

2. Accounting treatment of business combination not under common control

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

(VI) Compilation method of consolidated financial statements

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

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

1. Joint arrangements include joint operations and joint ventures.

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

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

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

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

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

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

(VIII) Recognition criteria of cash and cash equivalents

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

(IX) Foreign currency translation

1. Translation of transactions denominated in foreign currency

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

2. Translation of financial statements measured in foreign currency

The assets and liabilities in the balance sheet are translated into RMB at the spot rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot rate at the transaction date; the revenues and expenses in the income statement are translated into RMB at the exchange rate similar to the spot exchange rate at the transaction date. The difference arising from foreign currency translation is included in other comprehensive income.

(X) Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories when initially recognized: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories when initially recognized: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (3) financial guarantee contracts not fall within the above categories (1) and (2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category (1); (4) financial liabilities at amortized cost.

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

(1) Recognition criteria and measurement method of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount. However, at initial recognition, for accounts receivable that do not contain a significant financing component or in circumstances where the Company does not consider the financing components in contracts within one year, the Company measures their transaction price in accordance with “CASBE 14 – Revenues”.

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

The Company measures its financial assets at the amortized costs using effective interest method. Gains or losses on financial assets that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial assets are derecognized, reclassified, amortized using effective interest method or recognized with impairment loss.

2) Debt instrument investments at fair value through other comprehensive income

The Company measures its debt instrument investments at fair value. Interests, impairment gains or losses, and gains and losses on foreign exchange that calculated using effective interest method shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into profit or loss when the financial assets are derecognized.

3) Equity instrument investments at fair value through other comprehensive income

The Company measures its equity instrument investments at fair value. Dividends obtained (other than those as part of investment cost recovery) shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into retained earnings when the financial assets are derecognized.

4) Financial assets at fair value through profit or loss

The Company measures its financial assets at fair value. Gains or losses arising from changes in fair value (including interests and dividends) shall be included into profit or loss, except for financial assets that are part of hedging relationships.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities (including derivatives that are liabilities) and financial liabilities designated as at fair value through profit or loss. The Company measures such kind of liabilities at fair value. The amount of changes in the fair value of the financial liabilities that are attributable to changes in the Company's own credit risk shall be included into other comprehensive income, unless such treatment would create or enlarge accounting mismatches in profit or loss. Other gains or losses on those financial liabilities (including interests, changes in fair value that are attributable to reasons other than changes in the Company's own credit risk) shall be included into profit or loss, except for financial liabilities that are part of hedging relationships. Accumulated gains or losses that originally recognized as other comprehensive income should be transferred out into retained earnings when the financial liabilities are derecognized.

2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies

The Company measures its financial liabilities in accordance with "CASBE 23 – Transfer of Financial Assets".

3) Financial guarantee contracts not fall within the above categories 1) and 2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category 1)

The Company measures its financial liabilities at the higher of: a. the amount of loss allowances in accordance with impairment requirements of financial instruments; b. the amount initially recognized less the amount of accumulated amortization recognized in accordance with "CASBE 14 – Revenues".

4) Financial liabilities at amortized cost

The Company measures its financial liabilities at amortized cost using effective interest method. Gains or losses on financial liabilities that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial liabilities are derecognized and amortized using effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

a. the contractual rights to the cash flows from the financial assets expire; or

b. the financial assets have been transferred and the transfer qualifies for derecognition in accordance with "CASBE 23 – Transfer of Financial Assets".

2) Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company does not retain its control over the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability; (2) if the Company retains its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions to derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

4. Fair value determination method of financial assets and liabilities

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

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

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

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

5. Impairment of financial instruments

(1) Measurement and accounting treatment

The Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost, debt instrument investments at fair value through other comprehensive income, contract assets, leases receivable, loan commitments other than financial liabilities at fair value through profit or loss, financial guarantee contracts not belong to financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Expected credit losses refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Purchased or originated credit-impaired financial assets are discounted at the credit-adjusted effective interest rate.

At the balance sheet date, the Company shall only recognize the cumulative changes in the lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

For accounts receivable and contract assets resulting from transactions as regulated in "CASBE 14 – Revenues" which do not contain a significant financing component or in circumstances where the Company does not consider the financing components in contracts within one year, the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For leases receivable, and accounts receivable and contract assets resulting from transactions as regulated in "CASBE 14 – Revenues" and containing a significant financing component, the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets other than the above, on each balance sheet date, the Company shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. The Company shall measure the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition; otherwise, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Considering reasonable and supportable forward-looking information, the Company compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition, so as to assess whether the credit risk on the financial instrument has increased significantly since initial recognition.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the balance sheet date.

The Company shall estimate expected credit risk and measure expected credit losses on an individual or a collective basis. When the Company adopts the collective basis, financial instruments are grouped with similar credit risk features.

The Company shall remeasure expected credit loss on each balance sheet date, and increased or reversed amounts of loss allowance arising therefrom shall be included into profit or loss as impairment losses or gains. For a financial asset measured at amortized cost, the loss allowance reduces the carrying amount of such financial asset presented in the balance sheet; for a debt investment measured at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of such financial asset.

(2) Financial instruments with expected credit risk assessed and expected credit losses measured on a collective basis

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Other receivables – Portfolio grouped with balances due from related parties within the consolidation scope	Related parties brought into the consolidation scope	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates the expected credit loss through exposure at default and 12-month or lifetime expected credit loss rate.
Other receivables – Portfolio of low risk	Mainly including balances due from other related parties, partners and government departments, and equity and debt transfer payments, and receivables generally free of recovery risk	
Other receivables – Portfolio grouped with other balances	Nature of receivables	

(3) Accounts receivable and contract assets with expected credit losses measured on a collective basis

1) Specific portfolios and method for measuring expected credit loss

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Bank acceptance receivable	Type of notes	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Trade acceptance receivable		
Accounts receivable – Portfolio grouped with balances due from related parties within the consolidation scope	Related parties brought into the consolidation scope	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss based on the comparison table of lifetime expected credit loss rate.
Accounts receivable – Portfolio grouped with overdue ages	Overdue ages	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of overdue ages and lifetime expected credit loss rate of accounts receivable, so as to calculate expected credit loss.

2) Accounts receivable – comparison table of ages and lifetime expected credit loss rate of portfolio grouped with overdue ages

Ages	Expected credit loss rate (%)
Not overdue	0.00
Overdue within 1 year (inclusive, the same hereinafter)	4.00
Overdue 1-2 years	8.00
Overdue 2-3 years	20.00
Overdue 3-5 years	50.00

Ages	Expected credit loss rate (%)
Overdue over 5 years	100.00

6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, and only when, the Company: (1) currently has a legally enforceable right to set off the recognized amounts; and (2) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred asset and the associated liability.

(XI) Inventories

1. Classification of inventories

Inventories include land for development and developed goods held for sale or use, developed goods held for sale but temporary on lease, revolving property, materials and equipment on hand, finished film and TV plays, and low-value consumables, etc., as well as development costs incurred in the process of development.

2. Accounting method for dispatching inventories:

(1) Inventories dispatched from storage are accounted for with weighted average method at the end of each month.

(2) In the course of project development, the cost of land for development is allocated in the development cost of different projects based on the area of project developed; if the plot ratio among different projects varies a lot, the cost of land for development is allocated based on the construction areas of the developed goods.

(3) Developed products dispatched from storage are accounted for with average of construction areas.

(4) Developed products and revolving property held for sale but temporary on lease are amortized within estimated useful life of fixed assets under same categories.

(5) In case the public facilities are completed prior to related developed products, cost of public facilities is included in development cost of related developed products proportionate to the construction area when the final audit of public facilities is finished. In case the public facilities are completed later than related developed products, estimated cost of public facilities is included in development cost of related developed products, and adjusted to actual cost when the final audit on public facilities is finished.

3. Basis for determining net realizable value

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

4. Inventory system

Perpetual inventory method is adopted.

5. Amortization method of low-value consumables and packages

(1) Low-value consumables

Low-value consumables are amortized with one-off method.

(2) Packages

Packages are amortized with one-off method.

(XII) Contract costs

Assets related to contract costs including costs of obtaining a contract and costs to fulfil a contract.

The Company recognizes as an asset the incremental costs of obtaining a contract if those costs are expected to be recovered.

If the costs incurred in fulfilling a contract are not within the scope of standards related to inventories, fixed assets or intangible assets, etc., the Company shall recognize the costs to fulfil a contract as an asset if all the following criteria are satisfied:

1. The costs relate directly to a contract or to an anticipated contract, including direct labor, direct materials, manufacturing overhead cost (or similar cost), cost that are explicitly chargeable to the customer under the contract, and other costs that are only related to the contract;

2. The costs enhance resources of the Company that will be used in satisfying performance obligations in the future; and

3. The costs are expected to be recovered.

An asset related to contract costs shall be amortized on a systematic basis that is consistent with related goods or services, with amortization included into profit or loss.

The Company shall make provision for impairment and recognize an impairment loss to the extent that the carrying amount of an asset related to contract costs exceeds the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates less the costs expected to be incurred. The Company shall recognize a reversal of an impairment loss previously recognized in profit or loss when the impairment conditions no longer exist or have improved. The carrying amount of the asset after the reversal shall not exceed the amount that would have been determined on the reversal date if no provision for impairment had been made previously.

(XIII) Non-current assets or disposal groups classified as held for sale

1. Classification of non-current assets or disposal groups as held for sale

Non-current assets or disposal groups are accounted for as held for sale when the following conditions are all met: a. the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets or disposal groups; b. its sales must be highly probable, i.e., the Company has made a decision on the sale plan and has obtained a firm purchase commitment, and the sale is expected to be completed within one year.

When the Company acquires a non-current asset or disposal group with a view to resale, it shall classify the non-current asset or disposal group as held for sale at the acquisition date only if the requirement of "expected to be completed within one year" is met at that date and it is highly probable that other criteria for held for sale will be met within a short period (usually within three months).

An asset or a disposal group is still accounted for as held for sale when the Company remains committed to its plan to sell the asset or disposal group in the circumstance that non-related party transactions fail to be completed within one year due to one of the following reasons: a. a buyer or others unexpectedly set conditions that will extend the sale period, while the Company has taken timely actions to respond to the conditions and expects a favorable resolution of the delaying factors within one year since the setting; b. a non-current asset or disposal group classified as held for sale fails to be sold within one year due to rare cases, and the Company has taken action necessary to respond to the circumstances during the initial one-year period and the criteria for held for sale are met.

2. Measurement of non-current assets or disposal groups as held for sale

(1) Initial measurement and subsequent measurement

For initial measurement and subsequent measurement as at the balance sheet date of a non-current asset or disposal group as held for sale, where the carrying amount is higher than the fair value less costs to sell, the carrying amount is written down to the fair value less costs to sell, and the write-down is recognized in profit or loss as assets impairment loss, meanwhile, provision for impairment of assets as held for sale shall be made.

For a non-current asset or disposal group classified as held for sale at the acquisition date, the asset or disposal group is measured on initial recognition at the lower of its initial measurement amount had it not been so classified and fair value less costs to sell. Apart from the non-current asset or disposal group acquired through business combination, the difference arising from the initial recognition of a non-current asset or disposal group at the fair value less costs to sell shall be included into profit or loss.

The assets impairment loss recognized for a disposal group as held for sale shall reduce the carrying amount of goodwill in the disposal group first, and then reduce its carrying amount based on the proportion of each non-current asset's carrying amount in the disposal group.

No provision for depreciation or amortization shall be made on non-current assets as held for sale or non-current assets in disposal groups as held for sale, while interest and other expenses attributable to the liabilities of a disposal group as held for sale shall continue to be recognized.

(2) Reversal of assets impairment loss

When there is a subsequent increase in fair value less costs to sell of a non-current asset as held for sale at the balance sheet date, the write-down shall be recovered, and shall be reversed not in excess of the impairment loss that has been recognized after the non-current asset was classified as held for sale. The reversal shall be included into profit or loss. Assets impairment loss that has been recognized before the classification is not reversed.

When there is a subsequent increase in fair value less costs to sell of a disposal group as held for sale at the balance sheet date, the write-down shall be recovered, and shall be reversed not in excess of the non-current assets impairment loss that has been recognized after the disposal group was classified as held for sale. The reversal shall be included into profit or loss. The reduced carrying amount of goodwill and non-current assets impairment loss that has been recognized before the classification is not reversed.

For the subsequent reversal of the impairment loss that has been recognized in a disposal group as held for sale, the carrying amount is increased based on the proportion of carrying amount of each non-current asset (excluding goodwill) in the disposal group.

(3) Non-current asset or disposal group that is no longer classified as held for sale and derecognized

A non-current asset or disposal group that does not met criteria for held for sale and no longer classified as held for sale, or a non-current asset that removed from a disposal group as held for sale shall be measured at the lower of: a. its carrying amount before it was classified as held for sale, adjusted for any depreciation. Amortization or impairment that would have been recognized had it not been classified as held for sale; and b. its recoverable amount.

When a non-current asset or disposal group classified as held for sale is derecognized, unrecognized gains or losses shall be included into profit or loss.

(XIV) Long-term equity investments

1. Judgment of joint control and significant influence

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

2. Determination of investment cost

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

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, on the date of combination, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included the consolidated financial statements of the ultimate controlling party. The difference between the acquisition-date investment cost of long-term equity investments and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

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

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

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

2) In the case of consolidated financial statements, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, the carrying amount of the acquirer’s previously held equity interest in the acquiree is remeasured at the acquisition-date fair

value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer's previously held equity interest in the acquiree involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from remeasurement of defined benefit plan of the acquiree.

(3) Long-term equity investments obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to "CASBE 12 - Debt Restructuring"; and that obtained through non-cash assets exchange is determined according to "CASBE 7 - Non-cash Assets Exchange".

3. Subsequent measurement and recognition method of profit or loss

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

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

(1) Stand-alone financial statements

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company's loss of significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company's loss of control, joint control, or significant influence, the remained equity is accounted for according to "CASBE 22 - Financial Instruments: Recognition and Measurement".

(2) Consolidated financial statements

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

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

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

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

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

(XV) Investment property

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

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

(XVI) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production of goods or rendering of services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	20-45	3-5	2.11-4.85
General equipment	Straight-line method	3-20	3-5	4.75-32.33
Special equipment	Straight-line method	6-15	3-5	6.33-16.17
Transport facilities	Straight-line method	5-12	3-5	7.92-19.40
Other equipment	Straight-line method	5-15	3-5	6.33-19.40

(XVII) Construction in progress

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

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

(XVIII) Borrowing costs

1. Recognition principle of borrowing costs capitalization

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

2. Borrowing costs capitalization period

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

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

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

3. Capitalization rate and capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings in the current period less the interest income on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the

Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements less the general borrowing by the capitalization rate of the general borrowing used.

(XIX) Intangible assets

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

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

Items	Amortization method	Amortization period (years)
Land use right	Amortized within the useful lives as stipulated in the land certificate of titles	The useful lives as stipulated in the land certificate of titles
Franchise	Amortized within the franchised life	The franchised life
Software	Amortized within estimated useful lives	5
Parking space use right	Amortized within the useful lives	30

3. Expenditures on the research phase of an internal project are recognized as profit or loss when they are incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the followings: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(XX) Impairment of part of long-term assets

For long-term assets such as long-term equity investments, investment property at cost model, fixed assets, construction in progress, intangible assets with finite useful lives, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is estimated. For goodwill recognized in business combination and intangible assets with indefinite useful lives, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related asset group or asset group portfolio.

When the recoverable amount of such long-term assets is lower than their carrying amount, the difference is recognized as provision for assets impairment through profit or loss.

(XXI) Long-term prepayments

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

(XXII) Employee benefits

1. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

2. Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

3. Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

(1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. The Company discounts obligations under the defined benefit plan using the discount rate to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the fair value of defined benefit plan assets from the present value of the defined benefit plan obligation as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

3) At the end of the period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined

benefit plan liability (asset); and c. changes as a result of remeasurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

4. Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: a. when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or b. when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

5. Other long-term employee benefits

When other long-term employee benefits provided to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan, while other benefits are accounted for in accordance with the requirements relating to defined benefit plan. The Company recognizes the cost of employee benefits arising from other long-term employee benefits as the followings: a. service cost; b. net interest on the net liability or net assets of other long-term employee benefits; and c. changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts is recognized in profit or loss or included in the cost of a relevant asset.

(XXIII) Provisions

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.

2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

(XXIV) Share-based payment

1. Types of share-based payment

Share-based payment consists of equity-settled share-based payment and cash-settled share-based payment.

2. Accounting treatment for settlements, modifications and cancellations of share-based payment terms and conditions

(1) Equity-settled share-based payment

For equity-settled share-based payment transaction with employees, if the equity instruments granted vest immediately, the fair value of those equity instruments is measured at grant date and recognized as transaction cost or expense, with a corresponding adjustment in capital reserve; if the equity instruments granted do not vest until the counterparty completes a specified period of service, at the balance sheet date within the vesting period, the fair value of those equity instruments measured at grant date based on the best estimate of the number of equity instruments expected to vest is recognized as transaction cost or expense, with a corresponding adjustment in capital reserve.

For equity-settled share-based payment transaction with parties other than employees, if the fair value of the services received can be measured reliably, the fair value is measured at the date the Company receives the service; if the fair value of the services received cannot be measured reliably, but that of equity instruments can be measured reliably, the fair value of the equity instruments granted measured at the date the Company receives the service is referred to, and recognized as transaction cost or expense, with a corresponding increase in equity.

(2) Cash-settled share-based payment

For cash-settled share-based payment transactions with employees, if share appreciation rights vest immediately, the fair value of the liability incurred as the acquisition of services is measured at grant date and recognized as transaction cost or expense, with a corresponding increase in liabilities; if share appreciation rights do not vest until the employees have completed a specified period of service, the liability is measured, at each balance sheet date until settled, at the fair value of the share appreciation rights measured at grant date based on the best estimate of the number of share appreciation right expected to vest.

(3) Modifications and cancellations of share-based payment plan

If the modification increases the fair value of the equity instruments granted, the Company includes the incremental fair value granted in the measurement of the amount recognized for services received as consideration for the equity instruments granted; similarly, if the modification increases the number of equity instruments granted, the Company includes the fair value of the additional equity instruments granted, in the measurement of the amount recognized for services received as consideration for the equity instruments granted; if the Company modifies the vesting conditions in a manner that is beneficial to the employee, the Company takes the modified vesting conditions into account.

If the modification reduces the fair value of the equity instruments granted, the Company does not take into account that decrease in fair value and continue to measure the amount recognized for services received as consideration for the equity instruments based on the grant date fair value of the equity instruments granted; if the modification reduces the number of equity instruments granted to an employee, that reduction is accounted for as a cancellation of that portion of the grant; if the Company modifies the vesting conditions in a manner that is not beneficial to the employee, the Company does not take the modified vesting conditions into account.

If the Company cancels or settles a grant of equity instruments during the vesting period (other than that cancelled when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting, and therefore recognizes immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

(XXV) Accounting of repair and maintenance fund

According to regulations of place where development project residents, repair and maintenance fund, which is collected from house purchaser or accrued by the Company and included into the development cost of related developed products at the time of sale or presale of the developed products, is to be submitted to repair and maintenance fund management department.

(XXVI) Accounting of quality guarantee reserve

Quality guarantee reserve is reserved from project payment of construction entity according to requirements in construction contract. Repair and maintenance fund incurred within the quality guarantee period of developed products is to offset quality guarantee reserve. The balance of quality guarantee reserve is refunded to construction entity when the guarantee term is mature.

(XXVII) Revenue

1. Revenue recognition principles

At contract inception, the Company shall assess the contracts and shall identify each performance obligation in the contracts, and determine whether the performance obligation should be satisfied over time or at a point in time.

The Company satisfies a performance obligation over time if one of the following criteria are met, otherwise, the performance obligation is satisfied at a point in time: (1) the customer simultaneously receives and consumes the economic benefits provided by the Company’s performance as the Company performs; (2) the customer can control goods as they are created by the Company’s performance; (3) goods created during the Company’s performance have irreplaceable uses and the Company has an enforceable right to the payments for performance completed to date during the whole contract period.

For each performance obligation satisfied over time, the Company shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation. In the circumstance that the progress cannot be measured reasonably, but the costs incurred in satisfying the performance obligation are expected to be recovered, the Company shall recognize revenue only to the extent of the costs incurred until it can reasonably measure the progress. For each performance obligation satisfied at a point in time, the Company shall recognize revenue at the time point that the client obtains control of relevant goods or services. To determine whether the customer has obtained control of goods, the Company shall consider the following indications: (1) the Company has a present right to payment for the goods, i.e., the customer is presently obliged to pay for the goods; (2) the Company has transferred the legal title of the goods to the customer, i.e., the customer has legal title to the goods; (3) the Company has transferred physical possession of the goods to the client, i.e., the customer has physically possessed the goods; (4) the Company has transferred significant risks and rewards of ownership of the goods to the client, i.e., the customer has obtained significant risks and rewards of ownership of the goods; (5) the customer has accepted the goods; (6) other evidence indicating the customer has obtained control over the goods.

2. Revenue measurement principle

(1) Revenue is measured at the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer.

(2) If the consideration promised in a contract includes a variable amount, the Company shall confirm the best estimate of variable consideration at expected value or the most likely amount. However, the transaction price that includes the amount of variable consideration only to the extent that it is high probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(3) In the circumstance that the contract contains a significant financing component, the Company shall determine the transaction price based on the price that a customer would have paid for if the customer had paid cash for obtaining control over those goods or services. The difference between the transaction price and the amount of promised consideration is amortized under effective interest method over contractual period. The effects of a significant financing component shall not be considered if the Company expects, at the contract inception, that the period between when the customer obtains control over goods or services and when the customer pays consideration will be one year or less.

(4) For contracts containing two or more performance obligations, the Company shall determine the stand-alone selling price at contract inception of the distinct good underlying each performance obligation and allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

3. Revenue recognition method adopted by the Company

The Company is mainly engaged in real estate development and sales. The Company recognizes sales revenue when the housing property construction has been completed and the housing property has passed the quality check and reached the delivery conditions as stipulated in sales contract, and the Company has obtained the evidence of delivery as stipulated in sales contract.

(1) Revenue from real estate sales

Revenue from sales of developed products is recognized if, and only if, the following conditions are all satisfied: the developed products have been completed and accepted; the Company has delivered goods as agreed by contract; the Company has collected the payments or has obtained the right to the payments, and related economic benefits are highly probable to flow to the Company.

Revenue from irrevocable construction contracts of agent housing construction and engineering is recognized by the percentage of completion of the performance obligations, which is determined based on the proportion of the incurred costs to the estimated total costs. In the circumstance that the percentage of completion cannot be measured reasonably, but the incurred costs are expected to be recovered, the Company recognizes revenue only to the extent of the incurred costs until it can reasonably measure the percentage of completion.

(2) Revenue from property lease

Revenue from property lease is recognized at the lease commencement date and lease income as stipulated in lease contract or agreement when related economic benefits are highly probable to flow to the Company.

(3) Revenue from hotel room, catering and entertainment services

Revenue from hotel room, catering and entertainment services is recognized when such services have been rendered and the service fees have been received or the right to the service fees has been obtained.

(XXVIII) Government grants

1. Government grants shall be recognized if, and only if, the following conditions are all met: (1) the Company will comply with the conditions attaching to the grants; (2) the grants will be received. Monetary government grants are measured at the amount received or receivable. Non-monetary government grants are measured at fair value, and can be measured at nominal amount in the circumstance that fair value cannot be assessed.

2. Government grants related to assets

Government grants related to assets are government grants with which the Company constructs or otherwise acquires long-term assets under requirements of government. In the circumstances that there is no specific government requirement, the Company shall determine based on the primary condition to acquire the grants and government grants related to assets are government grants whose primary condition is to construct or otherwise acquire long-term assets. They offset carrying amount of relevant assets, or they are recognized as deferred income. If recognized as deferred income, they are included in profit or loss on a systematic basis over the useful lives of the relevant assets. Those measured at notional amount are directly included into profit or loss. For assets sold, transferred, disposed or damaged within the useful lives, balance of unamortized deferred income is transferred into profit or loss of the period in which the disposal occurred.

3. Government grants related to income

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

4. Government grants related to the ordinary course of business shall be included into other income or used to offset relevant cost based on business nature, while those not related to the ordinary course of business shall be included into non-operating revenue or expenditures.

5. Policy interest subvention

(1) In the circumstance that government appropriates interest subvention to lending bank, who provides loans for the Company with a policy subsidised interest rate, borrowings are carried at the amount received, with relevant borrowings cost computed based on the principal and the policy subsidised interest rate.

(2) In the circumstance that government directly appropriates interest subvention to the Company, the subsidised interest shall offset relevant borrowing cost.

(XXIX) Contract assets, contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance obligations and customers' payments. Contract assets and contract liabilities under the same contract shall offset each other and be presented on a net basis.

The Company presents an unconditional right to consideration (i.e., only the passage of time is required before the consideration is due) as a receivable, and presents a right to consideration in exchange for goods that it has transferred to a customer (which is conditional on something other than the passage of time) as a contract asset.

The Company presents an obligation to transfer goods to a customer for which the Company has received consideration (or the amount is due) from the customer as a contract liability.

(XXX) Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate

applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable income will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (1) business combination; and (2) the transactions or items directly recognized in equity.

(XXXI) Leases

1. Operating leases

When the Company is the lessee, lease payments are recognized as cost or profit or loss with straight-line method over the lease term. Initial expenses are recognized directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

When the Company is the lessor, lease income is recognized as profit or loss with straight-line method over the lease term. Initial expenses, other than those with material amount and eligible for capitalization which are recognized as profit or loss by installments, are recognized directly as profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

2. Finance leases

When the Company is the lessee, at the commencement of the lease term, the Company recognizes finance leases as assets and liabilities in their balance sheets at amounts equal to the lower of fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease, and recognizes the minimum lease payments as the entering value of long-term payables, and treats the difference of the two as unrecognized finance expense. Any initial direct cost of the lessee is added to the amount recognized as the leased asset. The effective interest method is used to recognize finance expense of the period during the lease term.

When the Company is the lessor, at the commencement of the lease, the Company recognizes the aggregate of minimum lease receipts and initial direct costs, each determined at the inception of the lease, as the entering value of finance lease receivables, and recognizes the unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values is recognized as unrealized finance income. The effective interest method is used to recognize finance income of the period during the lease term.

(XXXII) Segment reporting

Operating segments are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. An operating segment is a component of the Company:

(1) that engages in business activities from which it may earn revenues and incur expenses;

(2) whose financial performance is regularly reviewed by the Management to make decisions about resource to be allocated to the segment and to assess its performance; and

(3) for which accounting information regarding financial position, financial performance and cash flows is available through analysis.

(XXXIII) Other significant accounting policies and estimates

1. Recognition criteria and accounting treatment of discontinued operations

A component of the Company that has been disposed of, or is classified as held for sale and can be clearly distinguished is recognized as a discontinued operation when it fulfills any of the following conditions:

(1) it represents a separate major line of business or a separate geographical area of operations;

(2) it is part of a related plan to dispose of a separate major line of business or a separate geographical area of operations; or

(3) it is a subsidiary acquired exclusively with a review to resale.

2. Accounting treatment related to share repurchase

When the Company repurchases its shares for the purpose of reducing its registered capital or rewarding its employees, if the purchased shares are to be kept as treasury shares, the treasury shares are recorded at the cash distributed to existing shareholders for repurchase; if the purchased shares are to be retired, the difference between the total book value of shares retired and the cash distributed to existing shareholders for repurchase is to reduce capital reserve, or retained earnings when the capital reserve is not enough to reduce. If the Company repurchases vested equity instruments in equity-settled share-based payment transactions with employees, cost of treasury shares granted to employees and capital reserve (other capital reserve) accumulated within the vesting period are to be written off on the payment made to employees, with a corresponding adjustment in capital reserve (share premium).

(XXXIV) Significant changes in accounting policies

Changes in accounting policies arising from changes in CASBEs

1. The Company has adopted the "CASBE 14 – Revenues" revised by the Ministry of Finance (the "revised revenue standard") since January 1, 2020. Pursuant to regulations on convergence between original and revised standards, no adjustment shall be made on comparable information, and the cumulative impact arising from adoption on the adopting date shall be retrospectively adjusted into retained earnings and other related financial statement items at the beginning of the reporting period.

2. The Company's associate 温州银行股份有限公司 (Bank of Wenzhou Co., Ltd.*) has adopted "CASBE 22 – Financial Instruments: Recognition and Measurement", "CASBE 23 – Transfer of Financial Assets", "CASBE 24 – Hedging" and "CASBE 37 – Financial Instruments: Presentation" revised by the Ministry of Finance of the PRC (the "revised financial instrument standards") since January 1, 2020. Pursuant to regulations on convergence between original and revised standards, no adjustment shall be made on comparable information, and the difference arising from adoption on the adopting date shall be retrospectively adjusted into retained earnings or other comprehensive income at the beginning of the reporting period.

The revised financial instrument standards require for an "expected credit loss model" instead of "incurred loss model". Under the expected credit loss model, the entity does not need to recognize impairment losses after a loss event occurs. Instead, it recognizes and measures expected credit losses based on 12-month or lifetime expected credit losses in combination with related assets and circumstances, which will result in earlier recognition of credit losses.

The Company's associate Bank of Wenzhou Co., Ltd. has adopted the revised financial instrument standards since January 1, 2020. Pursuant to regulations on convergence between original and revised standards, for financial instruments that have not been derecognized on the date of initial adoption, retrospective adjustments should be made if the previous recognition and measurement are inconsistent with the requirements of the revised standards. No adjustment is required if the financial statement data in the previous period is inconsistent with the requirements of the revised standard. The amount of accumulated effects arising from retrospective adjustments is adjusted by Bank of Wenzhou Co., Ltd. into retained earnings or other comprehensive income at the beginning of the period of initial adoption.

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Main effects on the financial statements as of January 1, 2020 due to adoption of revised revenue standard and revised financial instrument standards are as follows:

Items	Balance sheet		
	Dec. 31, 2019	Effect due to revised revenue standards	Jan. 1, 2020
Accounts receivable	45,265,866.29	54,071,153.04	99,337,019.33
Other current assets - others	1,322,958,930.63	58,995,572.34	1,381,954,502.97
Long-term equity investments	34,929,043,511.51	-802,525,493.49	34,126,518,018.02
Deferred tax assets	1,161,841,143.22	14,000,550.50	1,175,841,693.72
Advances received	18,560,218,260.37	-18,550,225,841.44	9,992,418.93
Contract liabilities		17,375,953,810.72	17,375,953,810.72
Other current liabilities	3,389,635,592.36	1,284,366,473.72	4,674,002,066.08
Deferred tax liabilities	67,005.23	14,748,893.09	14,815,898.32
Other comprehensive income	130,008,669.56	-6,463,660.78	123,545,008.78
Undistributed profit	17,423,654,242.74	-799,442,627.25	16,624,211,615.49
Non-controlling interest	728,573,950.74	5,604,734.33	734,178,685.07

3. The Company has adopted the “Interpretation of China Accounting Standards for Business Enterprises No. 13” issued by the Ministry of Finance in 2019 since January 1, 2020, and the prospective application method is applicable to changes in accounting policies.

IV. Taxes

Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The output tax calculated based on the revenue from sales of goods or rendering of services in accordance with the tax law, net of the input tax that is allowed to be deducted in the current period	13%, 9%, 6%, 5%, 3%, etc.
Consumption tax	The taxable sales value	5%
Land appreciation tax	The incremental amount arising from the transfer of state-owned land use right and the buildings and structures that are constructed on the land	[Note]
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 20%-30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue.	1.2%, 12%
Urban maintenance and construction tax	Turnover tax actually paid	7%, 5%
Education surcharge	Turnover tax actually paid	3%

Taxes	Tax bases	Tax rates
Local education surcharge	Turnover tax actually paid	2%
Enterprise income tax	Taxable income	25%, 16.5%, 30%

Note: Pursuant to the "Temporary Regulations of the PRC on Land Appreciation Tax", the land appreciation tax is levied at four-level progressive rates from 30% to 60% based on the appreciation to deduction ratio. If the ratio is below 20% for the general living housing properties, the land appreciation tax is exempted. Pursuant to the documents numbered Guo Shui Fa [2004] 100 and Guo Shui Fa [2010] 53, and relevant requirements, the Company's subsidiaries which have housing property development business shall accrue and withhold land appreciation tax at certain rate (2%-4%, certain stores at 5%) of advances received housing payment, and liquidate when projects reach liquidation conditions.

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
The Company	25%
香港新湖投资有限公司 (Hong Kong Xinhu Investment Co., Ltd.*)	16.5%
泰昌投资有限公司 (Taichang Investment Co., Ltd.*)	[Note 1]
香港新澳投资有限公司 (Hong Kong Xin'ao Investment Co., Ltd.*)	16.5%
香港冠盛投资有限公司 (Hong Kong Guansheng Investment Co., Ltd.*)	16.5%
澳洲兴澳投资有限公司 (Australia Xing'ao Investment Co., Ltd.*)	30%
Xinhu (BVI) Holding Company Limited	[Note 1]
Xinhu (BVI) 2018 Holding Company Limited	[Note 1]
Xinhu (Oversea) 2017 Investment Company Limited	[Note 1]
Total Partner Global Limited	[Note 1]
Summit Idea Limited	[Note 1]
泰信控股有限公司 (Taixin Holdings Co., Ltd.*)	[Note 2]
泰融控股有限公司 (Tairong Holdings Co., Ltd.*)	[Note 2]
冠宏投资有限公司 (Guanhong Investment Co., Ltd.*)	[Note 2]
冠瑞投资有限公司 (Guanrui Investment Co., Ltd.*)	[Note 1]
冠利投资有限公司 (Guanli Investment Co., Ltd.*)	[Note 1]
冠盈投资有限公司 (Guanying Investment Co., Ltd.*)	[Note 1]
Limited partnerships	[Note 3]
Taxpayers other than the above-mentioned	25%

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Note 1: They are registered in the British Virgin Islands, and bear no income tax as foreign companies.

Note 2: They are registered in Cayman Islands, and bear no income tax as foreign companies.

Note 3: They are 27 limited partnerships, and bear no income tax.

V. Notes to items of consolidated financial statements

Remarks: “Opening balance” in this report refers to the balances as at January 1, 2020 after the adjustment on balances as at December 31, 2019 under the revised revenue standard and the revised financial instrument standards.

(I) Notes to items of the consolidated balance sheet

1. Cash and bank balances

(1) Details

Items	Closing balance	Opening balance
Cash on hand	762,804.86	819,740.13
Cash in bank	10,837,484,462.64	12,598,066,209.16
Other cash and bank balances	6,082,844,607.76	2,091,320,427.22
Total	16,921,091,875.26	14,690,206,376.51
Including: Deposited overseas	3,452,486,047.52	2,824,823,477.35

(2) Other remarks

At the end of the period, closing balance of 6,133,117,715.92 yuan was with use restrictions, including a. in cash in bank: time deposit for pledge amounting to 80,969,361.32 yuan, and others amounting to 30,176,915.76 yuan; b. in other cash and bank balances: deposit for bank acceptance amounting to 200,000,000.00 yuan, deposit for bank borrowings amounting to 3,786,677,266.24 yuan, mortgage deposit amounting to 79,712,751.88 yuan, deposit for commencement amounting to 4,674,229.18 yuan, time certificate of deposit for pledge amounting to 1,611,000,000.00 yuan and others amounting to 339,907,191.54 yuan. At the end of the period, closing balance of 452,589,370.98 yuan was deposited overseas without use restrictions.

2. Held-for-trading financial assets

Items	Closing balance	Opening balance
Financial assets classified as at fair value through profit or loss	2,465,165,700.06	1,944,633,509.35
Including: Equity instrument investments	521,731.00	309,785.14
Fund and asset management plans	2,464,643,969.06	1,944,323,724.21
Total	2,465,165,700.06	1,944,633,509.35

3. Notes receivable

Endorsed or discounted but undue notes at the balance sheet date

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	506,040,000.00	
Total	506,040,000.00	

Due to the fact that the acceptor of bank acceptance is commercial bank, which is of high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact, the Company derecognized the endorsed or discounted bank acceptance. However, if any bank acceptance is not recoverable when it is due, the Company still holds joint liability on such acceptance, according to the China Commercial Instrument Law.

4. Accounts receivable

(1) Details

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	123,298,484.88	100.00	59,317,862.34	48.11	63,980,622.54
Total	123,298,484.88	100.00	59,317,862.34	48.11	63,980,622.54

(Continued)

Categories	Opening balance [Note]				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	165,128,436.75	100.00	65,791,417.42	39.84	99,337,019.33
Total	165,128,436.75	100.00	65,791,417.42	39.84	99,337,019.33

Note: Please refer to section III (XXXIV) 2 of notes to financial statement for details on the difference between the opening balance and the balance as of the end of the previous year (December 31, 2019).

2) Accounts receivable with provision for bad debts made on a collective basis

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Not overdue	45,844,903.92		
Overdue within 1 year	13,570,450.53	542,818.02	4.00

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Overdue 1-2 years	3,876,741.75	310,139.34	8.00
Overdue 2-3 years	1,910,250.25	382,050.05	20.00
Overdue 3-5 years	26,567.00	13,283.50	50.00
Overdue over 5 years	58,069,571.43	58,069,571.43	100.00
Subtotal	123,298,484.88	59,317,862.34	48.11

(2) Changes in provision for bad debts

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Write-off	Others	
Receivables with provision made on an individual basis								
Receivables with provision made on a collective basis	65,791,417.42	-6,384,455.70				89,099.38		59,317,862.34
Subtotal	65,791,417.42	-6,384,455.70				89,099.38		59,317,862.34

(3) Accounts receivable written off in the current period

Accounts receivable actually written off in the current period totaled 89,099.38 yuan.

(4) Details of the top 5 debtors with largest balances

Closing balance of top 5 debtors totaled 81,821,912.00 yuan, accounting for 66.36% of the total closing balance of accounts receivable, and provision for bad debts made thereon totaled 39,910,080.00 yuan.

5. Advances paid

(1) Age analysis

1) Details

Ages	Closing balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year	87,510,254.36	68.50		87,510,254.36
1-2 years	25,403,959.55	19.89		25,403,959.55
2-3 years	2,445,534.97	1.92		2,445,534.97
3-5 years	489,052.18	0.38		489,052.18
Over 5 years	11,896,700.77	9.31		11,896,700.77
Total	127,745,501.83	100.00		127,745,501.83

(Continued)

Ages	Opening balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year	101,417,129.05	47.08		101,417,129.05
1-2 years	749,698.26	0.35		749,698.26
2-3 years	100,873,273.60	46.83		100,873,273.60
3-5 years	457,782.01	0.21		457,782.01
Over 5 years	11,899,493.97	5.52		11,899,493.97
Total	215,397,376.89	100.00		215,397,376.89

2) Reasons for unsettlement on advances paid with age over one year

Debtors	Closing balance	Reasons for unsettlement
平阳县滩涂围垦开发建设有限公司 (Pingyang County Tideland Development & Construction Co., Ltd.*)	21,832,401.00	Project funds paid in advance
Bureau of Finance of Qidong	11,070,000.00	Handling fees paid in advance
Subtotal	32,902,401.00	

(2) Details of the top 5 debtors with largest balances

Closing balance of top 5 debtors totaled 85,424,472.57 yuan, accounting for 66.87% of the total closing balance of advances paid.

6. Other receivables

(1) Details

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	363,703,978.16	5.31	200,037,187.99	55.00	163,666,790.17
Receivables with provision made on a collective basis	6,482,620,838.23	94.69	43,218,225.21	0.67	6,439,402,613.02
Total	6,846,324,816.39	100.00	243,255,413.20	3.55	6,603,069,403.19

[*] *The English name is for identification purpose only.*

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	6,927,873,826.88	100.00	46,668,163.00	0.67	6,881,205,663.88
Total	6,927,873,826.88	100.00	46,668,163.00	0.67	6,881,205,663.88

2) Other receivables with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons for provision made
上海逸合投资管理有限公司 (Shanghai Yihe Investment Management Co., Ltd.*)	363,703,978.16	200,037,187.99	55.00	The debtor's operation has deteriorated and the debtor is faced with many lawsuits.
Subtotal	363,703,978.16	200,037,187.99	55.00	

3) Other receivables with provision made on a collective basis

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio of low risk	6,061,926,066.97	2,574,980.49	0.04
Portfolio grouped with other balances	420,694,771.26	40,643,244.72	9.66
Including: Within 1 year	329,061,317.30	13,162,492.71	4.00
1-2 years	49,872,585.93	3,989,806.88	8.00
2-3 years	12,514,887.39	2,502,977.48	20.00
3-5 years	16,516,025.99	8,258,013.00	50.00
Over 5 years	12,729,954.65	12,729,954.65	100.00
Subtotal	6,482,620,838.23	43,218,225.21	0.67

(2) Details on ages

Ages	Closing book balance
Within 1 year	2,851,438,207.96
1-2 years	1,944,354,774.88
2-3 years	1,948,023,512.58
3-5 years	64,315,980.14
Over 5 years	38,192,340.83
Subtotal	6,846,324,816.39

(3) Changes in provision for bad debts

* *The English name is for identification purpose only.*

Items	Phase I	Phase II	Phase III	Subtotal
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	5,584,378.40	41,083,784.60		46,668,163.00
Opening balance in the current period	/	/	/	/
--Transferred to phase II	-1,001,190.99	1,001,190.99		
--Transferred to phase III				
--Reversed to phase II				
--Reversed to phase I				
Provision made in the current period	12,778,420.16	186,509,587.09		199,288,007.25
Provision recovered in the current period				
Provision reversed in the current period				
Provision written off in the current period		2,491,449.07		2,491,449.07
Other changes	-209,307.98			-209,307.98
Closing balance	17,152,299.59	226,103,113.61		243,255,413.20

(4) Other receivables written off in the current period

Other receivables actually written off in the current period totaled 2,491,449.07 yuan.

(5) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Security deposit	189,964,477.83	241,402,748.59
Current accounts	5,229,805,247.36	3,458,531,003.68
Equity transfer and debt assignment payment	1,234,725,708.00	3,017,365,708.05
Temporary advance payment receivable	117,648,375.53	133,898,112.26
Others	74,181,007.67	76,676,254.30
Subtotal	6,846,324,816.39	6,927,873,826.88

(6) Details of the top 5 debtors with largest balances

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
新湖控股有限公司 (Xinhu Holding Co., Ltd.*)	Current accounts	3,051,812,569.40	0-3 years	44.58	
融创房地产集团有限公司 (Sunac Real Estate Group Co., Ltd.*)	Equity transfer and debt assignment payment	1,234,492,708.00	0-2 years	18.03	
上海亚龙古城房地产开发	Current accounts	1,049,803,419.40	Within 1 year	15.33	

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Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
有限公司 (Shanghai Yalong Gucheng Real Estate Development Co., Ltd.*)					
Shanghai Yihe Investment Management Co., Ltd.	Current accounts	363,703,978.16	0-3 years	5.31	200,037,187.99
南通启新置业有限公司 (Nantong Qixin Real Estate Co., Ltd.*)	Current accounts	282,402,749.37	Within 1 year	4.13	
Subtotal		5,982,215,424.33		87.38	200,037,187.99

7. Inventories

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw materials				19,380.00		19,380.00
Development cost	45,842,066,050.70		45,842,066,050.70	62,529,756,049.62		62,529,756,049.62
Goods on hand	776,951.24	408,109.34	368,841.90	799,997.45	417,033.77	382,963.68
Developed products	6,500,966,669.07	215,231,472.58	6,285,735,196.49	6,267,280,747.01	82,020,504.48	6,185,260,242.53
Low-value consumables				1,826,732.89		1,826,732.89
TV and movie scripts	1,170,000.00	1,170,000.00		1,170,000.00	1,170,000.00	
Costs to fulfil a contract	3,719,952.00		3,719,952.00			
Total	52,348,699,623.01	216,809,581.92	52,131,890,041.09	68,800,852,906.97	83,607,538.25	68,717,245,368.72

(2) Provision for inventory write-down

1) Details

Items	Opening balance	Increase		Decrease		Closing balance
		Accrual	Others	Reversal or write-off	Others	
Goods on hand	417,033.77			8,924.43		408,109.34
Developed products	82,020,504.48	163,858,228.44		30,647,260.34		215,231,472.58
TV and movie scripts	1,170,000.00					1,170,000.00
Subtotal	83,607,538.25	163,858,228.44		30,656,184.77		216,809,581.92

2) Determination basis of net realizable value and reasons for the reversal or write-off of provision for inventory write-down

The Company made provision for inventory write-down based on current market price and actual sales condition after conducting test on net realizable value.

Selling price adopted in calculating net realizable value of inventories is divided into selling price of the pre-sold and that of the unsold. Selling price of the pre-sold is determined by the actual

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contract price, while selling price of the unsold is determined based on the recent average contract price and the market price of similar products.

Reversal of provision in the current period is due to rise of market price of commodity houses, resulting in the net realizable value of inventory higher than the cost of inventory. Provision written off in the current period is due to sales in the current period.

(3) Other remarks

1) Closing balance of inventories includes capitalization amount of borrowing costs totaling 11.60 billion yuan.

2) Inventories – Development cost

Projects	Commencement time	Estimated completion time	Estimated total investment (in ten thousand yuan)	Opening balance	Closing balance
Shenyang • Xianlin Golden Valley	Year 2009	Year 2025	294,000	670,073,250.75	1,001,452,971.96
Shenyang • Xinhu Bay	Year 2014	Year 2025	230,000	810,983,955.58	823,370,889.04
Binzhou • Xinhu Rose Garden	Year 2009	Year 2021	59,000	291,893,626.60	153,116,676.62
Suzhou • Pearl City	Year 2006	Year 2022	960,000	507,805,036.66	713,333,846.32
Shanghai • Qinglan International	Year 2012	Year 2024	1,049,234	4,311,425,198.08	4,878,562,996.56
Nantong Qiyang • Pearl Over Sea	Year 2020	Year 2028	286,000	312,421,227.98	453,560,258.84
Nantong Xinhu • Pearl Over Sea	Year 2014	Year 2024	420,000	1,854,022,992.23	2,693,519,617.63
Nantong Qixin • Pearl Over Sea	[Note 1]	[Note 1]		1,631,399,395.22	
Hangzhou • Golden Childhood	Year 2014	Year 2023	140,000	426,420,114.44	576,094,282.57
Hangzhou • Shangri-la	Year 2004	Year 2023	481,698	1,351,358,269.10	1,692,894,436.47
Hangzhou • Xinhu Guoling	Year 2007	Completed		736,800,284.72	
Lanxi • Shangri-la	Year 2010	Year 2023	282,283	678,179,815.13	621,307,043.43
Pingyang • Siji Guoling	Year 2016	Year 2023	67,180	274,960,223.15	173,458,577.51
Shanghai • Xinhu Pearl City	Year 2002	Year 2023	1,050,000	4,306,113,305.53	4,994,100,088.41
Comprehensive renovation project of shoreline of Yuantuojiao in Qidong	[Note 2]	[Note 2]	205,000	585,920,396.91	655,281,192.58
Jiujiang • Lushan International	Year 2010	Completed		207,643,306.50	
Jiaxing • Xinzhong Garden	Year 2012	Completed		1,633,638,573.93	
Development of coastal bottomland in Pingyang	[Note 2]	[Note 2]	1,020,000	3,136,638,708.91	3,318,543,530.63
Tianjin • Yiwu Trade Center	Year 2011	Year 2023	400,000	599,656,151.41	810,264,590.05
Tianjin • Xinhu Meilizhou	Year 2017	Completed		518,923,242.83	
Rui’an • Xinhu Square	Year 2015	Year 2021	527,986	2,298,535,971.85	1,741,690,654.00
Pingyang • Xiwan Spring City	Year 2020	Year 2028	872,564	2,751,654,670.98	2,963,073,954.00
Pingyang • Anrui Estate	[Note 3]	[Note 3]	550,000	1,781,593,331.33	1,875,756,899.63
Pingyang • Baorui Estate	[Note 3]	[Note 3]	540,000	1,453,317,490.68	1,470,453,665.67
Pingyang • Longrui Estate	[Note 3]	[Note 3]	508,772	1,418,639,550.27	1,668,031,911.22

Projects	Commencement time	Estimated completion time	Estimated total investment (in ten thousand yuan)	Opening balance	Closing balance
Tianhong Project in Shanghai	[Note 3]	[Note 3]	821,620	5,230,843,811.76	5,579,852,881.08
Yalong Project in Shanghai	[Note 1]	[Note 1]		16,916,558,399.62	
Hangzhou • Future Xinhu Center	Year 2018	Year 2023	166,400	428,343,803.56	605,330,500.48
Wenling • Shuangxi Spring	Year 2017	Year 2021	300,000	2,354,941,708.45	1,242,127,323.00
Wenling • Jiulong Spring	Year 2018	Year 2021	270,000	1,973,924,526.94	2,254,713,554.63
Mantianxing Project in Sanya	Year 2019	Year 2024	250,000	1,075,125,708.52	1,261,721,734.23
Yueqing • Jinxi Garden	Year 2020	Year 2025	280,623		1,620,451,974.14
Subtotal				62,529,756,049.62	45,842,066,050.70

Note 1: The Company has transferred part of the equity of these two projects, and will no longer include them in the consolidation scope.

Note 2: These two projects are coastal development projects.

Note 3: These four projects are still in early development stage, and closing balance thereof is mainly the cost of early development.

3) Inventories – Developed products

Projects	Completion time	Opening balance	Increase	Decrease	Closing balance
Shenyang • Spring of the North [Note 1]	Year 2007 - Year 2019	103,629,034.40	15,273,560.67	78,811,384.31	40,091,210.76
Shenyang • Xinhu Garden [Note 2]	Year 2016 – Year 2019	3,149,228.66	3,604,143.83	3,595,553.92	3,157,818.57
Shenyang • Xianlin Golden Valley [Note 2]	Year 2013 - Year 2018	158,648,239.20	-1,367,156.25	22,595,501.44	134,685,581.51
Shenyang • Xinhu Bay	Year 2020		205,592,289.99	174,593,646.39	30,998,643.60
Tianjin • Shangri-la [Note 2]	Year 2010 - Year 2019	292,972,523.32	1,422,055.90	10,794,629.72	283,599,949.50
Tianjin • Xinhu Meilizhou	Year 2020		795,504,351.14		795,504,351.14
Garage of Xinhu Real Estate	Year 2008	494,695.00			494,695.00
Huzhou • Longxi Court	Year 2004	31,926,368.92			31,926,368.92
Hangzhou • Shangri-la [Note 2]	Year 2008 - Year 2017	458,716,086.76	15,463,403.37	88,435,837.71	385,743,652.42
Quzhou • Xinhu Jingcheng [Note 1]	Year 2007 - Year 2019	624,602,757.15	102,663,662.31	291,610,705.91	435,655,713.55
Jiujiang • Chaisang Spring [Note 2]	Year 2006 - Year 2016	70,485,537.08	622,600.24	34,938,593.81	36,169,543.51
Hangzhou • Xinhu Guoling	Year 2010 - Year 2020	148,543,907.57	1,111,869,058.57	701,201,926.62	559,211,039.52
Hangzhou • Golden Childhood [Note 2]	Year 2018		4,552,351.50	4,552,351.50	
Binzhou • Xinhu Rose Garden	Year 2012 - Year 2020	32,651,653.40	254,373,084.35	255,679,270.82	31,345,466.93
Tai'an • Xinhu Green Garden [Note 2]	Year 2011 - Year 2017	1,207,921.72	-303,889.20	904,032.52	
Suzhou • Pearl City [Note 1]	Year 2008 - Year 2019	188,894,164.33	66,181,087.58	150,278,358.19	104,796,893.72
Shanghai • Xinhu Pearl City	Year 2005 - Year 2015	175,586,868.73		43,609,978.67	131,976,890.06

Projects	Completion time	Opening balance	Increase	Decrease	Closing balance
Lanxi • Shangri-la [Note 1]	Year 2013 - Year 2020	178,429,169.86	235,443,009.49	249,518,641.17	164,353,538.18
Jiujiang • Lushan International	Year 2013 - Year 2020	455,122,421.82	311,225,332.81	461,900,479.80	304,447,274.83
Hangzhou • Wulin International [Note 2]	Year 2014 - Year 2017	255,887,685.73	-6,241,026.52	9,000,596.24	240,646,062.97
Lishui • Xinhu International [Note 2]	Year 2014 - Year 2018	75,250,380.80	-764,800.00	43,067,090.29	31,418,490.51
Tianjin • Yiwu Trade Center [Note 2]	Year 2014 - Year 2019	1,590,808,891.48	11,526,643.80	36,484,215.64	1,565,851,319.64
Zhoushan • Yujing International [Note 2]	Year 2016	640,084,048.54	-23,130,030.91	274,296,107.73	342,657,909.90
Yueqing • Haide Garden [Note 2]	Year 2016 - Year 2018	47,202,976.50	6,325,938.18	44,657,908.98	8,871,005.70
Jiaxing • Xinzhong Garden	Year 2016 - Year 2020	36,571,958.34	1,842,939,090.04	1,763,272,478.55	116,238,569.83
Shanghai • Qinglan International [Note 2]	Year 2017	596,113,620.52	-1,057,795.71	54,707,947.11	540,347,877.70
Rui'an • Xinhu Square	Year 2018- Year 2020	91,856,855.38	1,100,104,978.28	1,130,534,871.06	61,426,962.60
Rui'an • Gold & Silver Plaza Apartment [Note 2]	Year 2019	8,443,751.80	-12,983,269.05	-10,093,119.83	5,553,602.58
Wenling • Shuangxi Spring	Year 2020		1,543,792,819.49	1,450,819,467.52	92,973,351.97
Pingyang • Siji Guoling	Year 2020		289,121,677.77	268,298,793.82	20,822,883.95
Subtotal		6,267,280,747.01	7,871,753,171.67	7,638,067,249.61	6,500,966,669.07

Note 1: Increase of Shenyang • Spring of the North, Quzhou • Xinhu Jingcheng and Lanxi • Shangri-la amounting to 68,908,770.52 yuan was transferred in from investment property; increases of Suzhou • Pearl City amounting to 13,285,610.31 yuan, 5,315,587.90 yuan and 18,270,446.45 yuan were transferred in from investment property, intangible assets and fixed assets respectively.

Note 2: Increases of Shenyang • Xinhu Garden and other projects were adjustments of temporary estimated cost.

8. Non-current assets due within one year

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Trust protection fund	10,079,000.00		10,079,000.00	27,800,000.00		27,800,000.00
Total	10,079,000.00		10,079,000.00	27,800,000.00		27,800,000.00

9. Other current assets

(1) Details

Items	Closing balance			Opening balance [Note]		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Costs to obtain a contract	100,893,536.19		100,893,536.19	58,995,572.34		58,995,572.34
Prepaid expenses	79,218,112.28		79,218,112.28	76,650,224.95		76,650,224.95
Prepaid taxes related to housing presale	1,049,152,780.95		1,049,152,780.95	885,352,743.09		885,352,743.09
Input VAT to be credited	243,358,629.48		243,358,629.48	315,081,762.59		315,081,762.59
Trust protection fund	5,877,000.00		5,877,000.00	11,028,000.00		11,028,000.00
Others	50,923,047.95		50,923,047.95	34,846,200.00		34,846,200.00
Total	1,529,423,106.85		1,529,423,106.85	1,381,954,502.97		1,381,954,502.97

Note: Please refer to section III (XXXIV) 2 of notes to financial statement for details on the difference between the opening balance and the balance as of the end of the previous year (December 31, 2019).

(2) Costs to obtain a contract

Items	Opening balance	Increase	Amortization	Provision for impairment	Closing balance
Sales commission	58,995,572.34	82,185,566.15	40,287,602.30		100,893,536.19
Subtotal	58,995,572.34	82,185,566.15	40,287,602.30		100,893,536.19

10. Long-term equity investments

(1) Categories

Items	Closing balance			Opening balance [Note 1]		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in associates	37,558,030,191.27		37,558,030,191.27	34,126,518,018.02		34,126,518,018.02
Investments in joint ventures	1,312,529,389.43		1,312,529,389.43			
Total	38,870,559,580.70		38,870,559,580.70	34,126,518,018.02		34,126,518,018.02

(2) Details

Investees	Opening balance [Note 1]	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Joint ventures					
浙江启隆实业有限公司 (Zhejiang Qilong Industrial Co., Ltd.*) [Note 2]				-34,298,337.66	
浙江新湖伟恒企业管理有限公司 (Zhejiang Xinhu Weiheng Enterprise Management Co., Ltd.*)		50,000,000.00		-460.00	
Nantong Qixin Real Estate Co., Ltd. [Note 3]				-3,452,849.29	
杭州湖新投资有限公司 (Hangzhou Huxin Investment Co., Ltd.*)					
杭州新想投资管理有限公司 (Hangzhou Xinxiang Investment Management Co., Ltd.*)					
Subtotal		50,000,000.00		-37,751,646.95	
Associates					
Xinhu Holding Co., Ltd.	2,160,151,826.16			-114,934,880.20	7,343,945.13
内蒙古合和置业有限公司 (Inner Mongolia Hehe Real Estate Co., Ltd.*)	18,844,779.78			183,474.92	
盛京银行股份有限公司 (Shengjing Bank Co., Ltd.*, hereinafter referred to as "Shengjing Bank") [Note 4]	2,711,622,377.64			122,580,129.51	-59,895,377.33
甘肃西北矿业集团有限公司 (Gansu Northwest Mining Group Co., Ltd.*)	679,684,105.44			-3,945,716.03	
Bank of Wenzhou Co., Ltd.	1,561,558,407.35	114,478,871.15		28,934,577.19	-6,511,714.33
江苏新湖宝华置业有限公司 (Jiangsu Xinhu Baohua Real Estate Co., Ltd.*)	237,184,294.62			-24,247,488.29	
中信银行股份有限公司 (China CITIC Bank Co., Ltd.*, hereinafter referred to as "China CITIC Bank")	21,957,046,764.48			2,298,067,631.82	-362,528,124.65
通卡联城网络科技有限公司 (Tongka Liancheng Network Technology Co., Ltd.*)	39,119,411.85			-4,544,002.48	
新湖期货有限公司 (Xinhu Futures Co., Ltd.*)	379,725,436.41			18,146,063.53	-101,160.63
恩施裕丰房地产开发有限公司 (Enshi Yufeng Real Estate Development Co., Ltd.*)	25,390,044.70			56,062,846.86	
杭州谐云科技有限公司 (Hangzhou Harmony Cloud Technology Co., Ltd.*)	22,388,498.38			-1,352,076.39	

* *The English names are for identification purpose only.*

Investees	Opening balance [Note 1]	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
浙江邦盛科技有限公司 (Zhejiang Bangsun Technology Co., Ltd.*, hereinafter referred to as "Bangsun Technology")	376,647,281.29			-11,084,218.55	
杭州趣链科技有限公司 (Hangzhou Hyperchain Technologies Co., Ltd.*)	1,073,261,022.79	20,000,000.00		-110,049,641.10	
上海趣美信息技术有限公司 (Shanghai Qumei Information Technology Co., Ltd.*, hereinafter referred to as "Qumei Information")	27,184,661.65			-579,925.01	
万得信息技术股份有限公司 (Wind Information Co., Ltd.*, hereinafter referred to as "Wind Information")	1,605,954,607.69			124,351,918.17	-1,542,776.10
ASIA PACIFIC EXCHANGE PTE LTD.	502,837,779.31			-22,345,562.15	
青岛精确芯元投资合伙企业（有限合伙） (Qingdao Jingque Xinyuan Investment Partnership (LP)*)	213,709,979.84			100,767,194.52	
杭州易现先进科技有限公司 (Hangzhou Yixian Advanced Technology Co., Ltd.*)	21,164,573.26			-1,723,673.27	
杭州宏华数码科技股份有限公司 (Hangzhou Honghua Digital Technology Co., Ltd.*)	513,042,165.38			42,680,581.97	
绿城中国控股有限公司 (Greentown China Holdings Limited*)		2,807,279,867.96	59,213,615.30	324,926,210.99	-32,377,408.12
杭州易百德微电子有限公司 (Hangzhou Yibaide Microelectronics Co., Ltd.*)		150,000,000.00		-398,716.04	
上海蕙新医疗科技有限公司 (Shanghai Huixin Medical Technology Co., Ltd.*)		137,700,000.00		-4,242,902.14	
浙江聚创智能科技有限公司 (Zhejiang Juchuang Intelligent Technology Co., Ltd.*)		150,000,000.00		4,411,004.36	
湘财股份有限公司 (Xiangcai Co., Ltd.*)				10,851,472.66	534,329.07
杭州新喆商业管理有限公司 (Hangzhou Xinzhe Business Management Co., Ltd.*)					
Subtotal	34,126,518,018.02	3,379,458,739.11	59,213,615.30	2,832,514,304.85	-455,078,286.96
Total	34,126,518,018.02	3,429,458,739.11	59,213,615.30	2,794,762,657.90	-455,078,286.96

(Continued)

* *The English names are for identification purpose only.*

Investees	Increase/Decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/ Profit declared for distribution	Provision for impairment	Others		
Joint ventures						
Zhejiang Qilong Industrial Co., Ltd. [Note 2]				1,042,108,464.45	1,007,810,126.79	
Zhejiang Xinhu Weiheng Enterprise Management Co., Ltd.					49,999,540.00	
Nantong Qixin Real Estate Co., Ltd. [Note 3]				258,172,571.93	254,719,722.64	
Hangzhou Huxin Investment Co., Ltd.						
Hangzhou Xinxiang Investment Management Co., Ltd.						
Subtotal				1,300,281,036.38	1,312,529,389.43	
Associates						
Xinhu Holding Co., Ltd.	-119,955,946.30				1,932,604,944.79	
Inner Mongolia Hehe Real Estate Co., Ltd.					19,028,254.70	
Shengjing Bank [Note 4]				-2,774,307,129.82		
Gansu Northwest Mining Group Co., Ltd.					675,738,389.41	
Bank of Wenzhou Co., Ltd.	1,849,238.71				1,700,309,380.07	
Jiangsu Xinhu Baohua Real Estate Co., Ltd.					212,936,806.33	
China CITIC Bank	11,947,631.25	584,657,335.00			23,319,876,567.90	
Tongka Liancheng Network Technology Co., Ltd.					34,575,409.37	
Xinhu Futures Co., Ltd.					397,770,339.31	
Enshi Yufeng Real Estate Development Co., Ltd.					81,452,891.56	
Hangzhou Harmony Cloud Technology Co., Ltd.	5,395,309.42				26,431,731.41	
Bangsun Technology					365,563,062.74	
Hangzhou Hyperchain Technologies Co., Ltd.	72,291,109.38				1,055,502,491.07	
Qumei Information					26,604,736.64	
Wind Information		72,139,619.20			1,656,624,130.56	
ASIA PACIFIC EXCHANGE PTE LTD.				-31,321,773.38	449,170,443.78	
Qingdao Jingque Xinyuan Investment Partnership (LP)		134,259,579.79			180,217,594.57	
Hangzhou Yixian Advanced Technology Co., Ltd.					19,440,899.99	
Hangzhou Honghua Digital Technology Co., Ltd.					555,722,747.35	

Investees	Increase/Decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/ Profit declared for distribution	Provision for impairment	Others		
Greentown China Holdings Limited	24,272,964.07	96,900,000.00		1,019,298,733.98	3,987,286,753.58	
Hangzhou Yibaide Microelectronics Co., Ltd.					149,601,283.96	
Shanghai Huixin Medical Technology Co., Ltd.	15,716,228.66				149,173,326.52	
Zhejiang Juchuang Intelligent Technology Co., Ltd.	1,911,106.42				156,322,110.78	
Xiangcai Co., Ltd.	13,401,479.69			381,288,613.46	406,075,894.88	
Hangzhou Xinzhe Business Management Co., Ltd.						
Subtotal	26,829,121.30	887,956,533.99		-1,405,041,555.76	37,558,030,191.27	
Total	26,829,121.30	887,956,533.99		-104,760,519.38	38,870,559,580.70	

Note 1: Please refer to section III (XXXIV) 2 of notes to financial statement for details on the difference between the opening balance and the balance as of the end of the previous year (December 31, 2019).

Note 2: The Company transferred 50% equity of such entity to 上海颢轩企业管理有限公司 (Shanghai Haoxuan Business Management Co., Ltd.*). Therefore, from the date of transfer, the investment in it will be converted into long-term equity investments under equity method.

Note 3: The Company transferred 50% equity of such entity to 上海启璋实业有限公司 (Shanghai Qizhang Industrial Co., Ltd.*). Therefore, from the date of transfer, the investment in it will be converted into long-term equity investments under equity method.

Note 4: Pursuant to the resolution of general shareholder's meeting in October 2020 of Shengjing Bank, the Company no longer sends a director to the Board of Directors of Shengjing Bank. Therefore, the Company no longer has the significant influence on Shengjing Bank, and the investment in it will be converted into financial assets at fair value through other comprehensive income.

* *The English names are for identification purpose only.*

11. Other equity instrument investments

(1) Details

Items	Closing balance	Opening balance	Dividend income	Accumulated amount of gains or losses transferred from other comprehensive income to retained earnings	
				Amount	Reasons
SDIC UBS - Xinhu Zhongbao Overseas Investment Asset Management Plan	18,236,908.73	7,893,233.24			
SDIC UBS Xinhu Zhongbao Overseas Asset Allocation No. 1 Asset Management Plan	21,216.39	20,190.33			
浙江浙商产融股权投资基金合伙企业（有限合伙) (Zhejiang Zheshang Industrial and Financial Investment Partnership (LP)*)	2,000,000,000.00	2,000,000,000.00			
上海钻石交易所有限公司 (Shanghai Diamond Exchange Co., Ltd.*)	1,958,852.00	1,958,852.00			
宁波钱潮涌鑫投资管理合伙企业(有限合伙) (Ningbo Qianchao Yongxin Investment Management Partnership (LP)*)	310,559.00	310,559.00			
重庆中新融辉投资中心(有限合伙) (Chongqing Zhongxin Ronghui Investment Center (LP)*)	293,406,052.11	332,835,106.07			
Shengjing Bank	1,401,000,000.00				
Subtotal	3,714,933,588.23	2,343,017,940.64			

(2) Reasons for equity instrument investments designated as at fair value through other comprehensive income

The Company holds other equity instrument investments for non-trading purposes, and irrevocably designates them as financial instruments at fair value through other comprehensive income.

(3) Other equity instrument investments derecognized in the current period

Items	Fair value when derecognized	Accumulated gains or losses when derecognized	Reasons for derecognition
北京财智云投资管理有限公司 (Beijing Financial Smart Cloud Co., Ltd.*)		7,000,000.00	Cancellation
Subtotal		7,000,000.00	

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12. Other non-current financial assets

Items	Closing balance	Opening balance
Financial assets classified as at fair value through profit or loss	7,218,803,121.95	8,400,632,122.95
Including: Debt instrument investments	1,306,161,616.16	1,306,161,616.16
Equity instrument investments	5,912,641,505.79	7,094,470,506.79
Total	7,218,803,121.95	8,400,632,122.95

13. Investment property

Items	Buildings and structures	Land use right	Total
Cost			
Opening balance	1,872,545,681.64	70,055,061.07	1,942,600,742.71
Increase	855,285,123.91	331,090,925.00	1,186,376,048.91
1) Acquisition	2,884,272.58		2,884,272.58
2) Transferred in from inventories	829,075,633.04	331,090,925.00	1,160,166,558.04
3) Transferred in from fixed assets	23,325,218.29		23,325,218.29
Decrease	97,730,498.42	5,445,947.19	103,176,445.61
1) Transferred into inventories	97,730,498.42	5,445,947.19	103,176,445.61
Closing balance	2,630,100,307.13	395,700,038.88	3,025,800,346.01
Accumulated depreciation and amortization			
Opening balance	198,303,656.61	5,959,333.63	204,262,990.24
Increase	82,171,055.91	3,266,037.49	85,437,093.40
1) Accrual or amortization	69,119,561.71	3,266,037.49	72,385,599.20
2) Transferred in from inventories	1,115,918.41		1,115,918.41
3) Transferred in from fixed assets	11,935,575.79		11,935,575.79
Decrease	19,546,101.79	1,435,962.99	20,982,064.78
1) Transferred into inventories	19,546,101.79	1,435,962.99	20,982,064.78
Closing balance	260,928,610.73	7,789,408.13	268,718,018.86
Carrying amount			
Closing balance	2,369,171,696.40	387,910,630.75	2,757,082,327.15
Opening balance	1,674,242,025.03	64,095,727.44	1,738,337,752.47

14. Fixed assets

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Other equipment	Total
Cost						
Opening balance	554,328,650.34	19,678,728.91	12,018,510.82	112,333,348.43	16,092,094.99	714,451,333.49
Increase	61,556,761.30	3,481,121.34	715,316.99	5,138,935.05	2,520,511.21	73,412,645.89
1) Acquisition	3,132,824.35	2,731,146.34	533,794.99	5,138,935.05	2,520,511.21	14,057,211.94
2) Transferred in from construction in progress	861,497.46	710,235.00				1,571,732.46
3) Transferred in from inventories	57,562,439.49					57,562,439.49
4) Others		39,740.00	181,522.00			221,262.00
Decrease	60,657,351.62	1,896,679.04	445,747.00	5,536,695.81	3,169,598.21	71,706,071.68
1) Disposal/ Scrapping	3,010,344.63	1,469,010.53	445,747.00	4,226,165.89	3,169,598.21	12,320,866.26
2) Transferred into inventories	31,018,373.03					31,018,373.03
3) Transferred into investment property	23,325,218.29					23,325,218.29
4) Business combination		427,668.51		1,310,529.92		1,738,198.43
5) Others	3,303,415.67					3,303,415.67
Closing balance	555,228,060.02	21,263,171.21	12,288,080.81	111,935,587.67	15,443,007.99	716,157,907.70
Accumulated depreciation						
Opening balance	89,699,750.69	12,863,818.76	10,145,463.95	71,504,281.61	11,433,859.11	195,647,174.12
Increase	45,450,443.43	2,273,160.34	423,425.89	9,917,882.74	1,702,001.13	59,766,913.53
1) Accrual	19,952,165.43	2,273,160.34	423,425.89	9,917,882.74	1,702,001.13	34,268,635.53
2) Others	25,498,278.00					25,498,278.00
Decrease	28,588,545.82	1,673,214.52	329,797.35	4,466,874.69	2,998,137.62	38,056,570.00
1) Disposal/ Scrapping	2,643,207.52	1,405,155.96	329,797.35	3,948,123.19	2,998,137.62	11,324,421.64
2) Transferred into inventories	12,747,926.58					12,747,926.58
3) Transferred into investment property	11,935,575.79					11,935,575.79
4) Business combination		268,058.56		518,751.50		786,810.06
5) Others	1,261,835.93					1,261,835.93
Closing balance	106,561,648.30	13,463,764.58	10,239,092.49	76,955,289.66	10,137,722.62	217,357,517.65
Carrying amount						
Closing balance	448,666,411.72	7,799,406.63	2,048,988.32	34,980,298.01	5,305,285.37	498,800,390.05
Opening balance	464,628,899.65	6,814,910.15	1,873,046.87	40,829,066.82	4,658,235.88	518,804,159.37

15. Construction in progress

Projects	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Fengning Chenglong mining project	1,159,707.15	765,388.92	394,318.23	1,159,707.15	765,388.92	394,318.23
Qidong Sanshuihui Company Complex Building	32,304,784.10		32,304,784.10	13,136,064.85		13,136,064.85
Total	33,464,491.25	765,388.92	32,699,102.33	14,295,772.00	765,388.92	13,530,383.08

16. Intangible assets

Items	Software	Franchise [Note 1]	Prospecting and mining right [Note 2]	Land use right	Parking space use right	Total
Cost						
Opening balance	5,594,013.06	131,931,317.96	173,400,353.80	23,401,216.49	1,310,000.00	335,636,901.31
Increase	2,108,803.20					2,108,803.20
1) Acquisition	2,108,803.20					2,108,803.20
Decrease	26,847.67			8,083,947.24		8,110,794.91
1) Disposal				864,803.92		864,803.92
2) Business combination	26,847.67					26,847.67
3) Transferred into inventories				7,219,143.32		7,219,143.32
Closing balance	7,675,968.59	131,931,317.96	173,400,353.80	15,317,269.25	1,310,000.00	329,634,909.60
Accumulated amortization						
Opening balance	2,531,075.70	69,066,589.25		4,478,568.11	393,000.06	76,469,233.12
Increase	770,833.87	4,199,007.19		526,291.10	43,666.68	5,539,798.84
1) Accrual	770,833.87	4,199,007.19		526,291.10	43,666.68	5,539,798.84
Decrease	7,719.44			2,266,678.83		2,274,398.27
1) Disposal				363,123.41		363,123.41
2) Business combination	7,719.44					7,719.44
3) Transferred into inventories				1,903,555.42		1,903,555.42
Closing balance	3,294,190.13	73,265,596.44		2,738,180.38	436,666.74	79,734,633.69
Provision for impairment						
Opening balance			114,441,572.03			114,441,572.03
Increase						
1) Accrual						
Decrease						
Closing balance			114,441,572.03			114,441,572.03
Carrying amount						
Closing balance	4,381,778.46	58,665,721.52	58,958,781.77	12,579,088.87	873,333.26	135,458,703.88
Opening balance	3,062,937.36	62,864,728.71	58,958,781.77	18,922,648.38	916,999.94	144,726,096.16

Note 1: Pursuant to the “Franchise Agreement on Running School” entered into between the

Company's subsidiary 嘉兴市南湖国际教育投资有限公司 (Jiaxing Nanhu International Education Investment Co., Ltd.*) and the People's Government of Xiucheng District, Jiaxing and the People's Government of Xiuzhou District, Jiaxing, it is the franchise of running 嘉兴市南湖国际实验学校 (Jiaxing Nanhu International Experimental School*), 嘉兴高级中学 (Jiaxing Senior High School*) and 嘉兴市秀洲现代实验学校 (Jiaxing Xiuzhou Modern Experimental School*) obtained under the "Build-Operate-Transfer" (BOT) mode.

Note 2: It is the gold, silver and molybdenum ore mining right in Haocungou of the Company's subsidiary 丰宁承龙矿业有限公司 (Fengning Chenglong Mining Co., Ltd.*).

17. Development expenditures

Items	Opening balance	Increase		Decrease		Closing balance
		Internal development expenditures	Others	Recognized as intangible assets	Transferred to profit or loss	
Prospection of coal mine in Shaziling, Nayong County, Guizhou Province [Note]	444,851,654.15	23,797,215.96				468,648,870.11
Prospection of coal mine in Jiuyuan, Nayong County, Guizhou Province [Note]	435,911,508.62	22,941,442.79				458,852,951.41
Total	880,763,162.77	46,738,658.75				927,501,821.52

Note: These two items refer to the expenditures of the Company's subsidiary 贵州新湖能源有限公司 (Guizhou Xinhu Energy Co., Ltd.*) on prospection of coal mines in Shaziling and Jiuyuan, Nayong County, Guizhou Province.

18. Long-term prepayments

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Decoration and building improvement expenditures	24,786,573.49	15,729,387.62	7,528,160.53		32,987,800.58
Others	18,304.76	860,804.00	13,373.14		865,735.62
Total	24,804,878.25	16,590,191.62	7,541,533.67		33,853,536.20

* *The English names are for identification purpose only.*

19. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offset

Items	Closing balance		Opening balance [Note]	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	248,122,583.02	62,027,114.41	127,821,646.15	31,955,411.53
Deductible losses	328,936,495.42	82,234,123.85	129,731,313.30	32,432,828.32
Accrued expenses (costs)	73,935,109.64	18,483,777.41	228,341,423.56	57,085,355.89
Deductible expenses	28,512,411.27	7,128,102.81	113,522,717.16	28,380,679.29
Transferred into fixed assets as sales	381,570.36	95,392.59	429,956.44	107,489.11
Accumulative amortization of rental of developed products	38,770,851.84	9,692,712.96	78,260,019.60	19,565,004.90
Anticipated profit of presale	1,558,588,002.69	389,647,000.68	1,380,565,590.36	345,141,397.60
Provision for clearing of land appreciation tax	3,593,820,509.37	898,455,127.35	2,587,469,942.86	646,867,485.73
Others	110,598,129.22	27,649,532.30	57,224,165.40	14,306,041.35
Total	5,981,665,662.83	1,495,412,884.36	4,703,366,774.83	1,175,841,693.72

Note: Please refer to section III (XXXIV) 2 of notes to financial statement for details on the difference between the opening balance and the balance as of the end of the previous year (December 31, 2019).

(2) Deferred tax liabilities before offset

Items	Closing balance		Opening balance [Note]	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Changes in fair value of financial assets at fair value through profit or loss	789,261.73	197,315.43	268,020.92	67,005.23
Costs to obtain a contract	28,190,973.03	7,047,743.26	58,995,572.36	14,748,893.09
Others	1,024,752.21	256,188.05		
Total	30,004,986.97	7,501,246.74	59,263,593.28	14,815,898.32

Note: Please refer to section III (XXXIV) 2 of notes to financial statement for details on the difference between the opening balance and the balance as of the end of the previous year (December 31, 2019).

(3) Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary difference	87,118,063.18	21,928,546.52
Deductible losses	343,238,823.04	469,177,318.75
Subtotal	430,356,886.22	491,105,865.27

(4) Maturity years of deductible losses of unrecognized deferred tax assets

Maturity years	Closing balance	Opening balance	Remarks
Year 2020		99,893,838.08	
Year 2021	183,851,626.34	245,859,319.86	
Year 2022	236,105,999.07	276,554,784.10	
Year 2023	171,233,641.38	720,930,124.05	
Year 2024	362,505,318.39	533,471,208.79	
Year 2025	419,258,706.74		
Subtotal	1,372,955,291.92	1,876,709,274.88	

20. Other non-current assets

Items	Closing balance	Opening balance
Prepayments for investments	145,376,756.85	24,770,355.71
Trust protection fund	1,600,000.00	7,000,000.00
Others	36,206.90	36,206.90
Total	147,012,963.75	31,806,562.61

21. Short-term borrowings

Items	Closing balance	Opening balance
Pledged borrowings	2,466,427,000.00	693,000,000.00
Mortgaged borrowings	422,700,000.00	457,670,000.00
Guaranteed borrowings	1,194,000,000.00	1,296,000,000.00
Credit borrowings		181,426,755.07
Mortgaged and guaranteed borrowings	1,194,570,000.00	1,075,660,000.00
Pledged and guaranteed borrowings	502,500,000.00	1,000,000.00
Mortgaged, pledged and guaranteed borrowings	1,000,000.00	250,000,000.00
Interest payable of short-term borrowings	7,379,339.48	5,180,298.15
Total	5,788,576,339.48	3,959,937,053.22

22. Notes payable

Items	Closing balance	Opening balance
Trade acceptance	42,416,000.00	32,363,905.00
Bank acceptance	600,000,000.00	400,000,000.00
Total	642,416,000.00	432,363,905.00

23. Accounts payable

(1) Details

Items	Closing balance	Opening balance
Payment for goods	18,960,251.82	22,291,947.76
Project funds	3,425,122,190.89	2,650,887,283.61
Others	44,949,174.77	39,214,347.82
Demolition payment		485,321,212.12
Total	3,489,031,617.48	3,197,714,791.31

(2) As of December 31, 2020, the Company had no significant balance with age over one year.

24. Advances received

(1) Details

Items	Closing balance	Opening balance [Note]
Others	15,545,072.85	9,992,418.93
Total	15,545,072.85	9,992,418.93

Note: Please refer to section III (XXXIV) 2 of notes to financial statement for details on the difference between the opening balance and the balance as of the end of the previous year (December 31, 2019).

(2) As of December 31, 2020, the Company had no significant balance with age over one year.

25. Contract liabilities

(1) Details

Items	Closing balance	Opening balance [Note]
Presale of housing properties	18,581,271,527.14	15,290,036,753.41
Advances received for shoreline development of Yuantuojiao in Qidong	113,793,752.98	180,635,181.63
Advances received for infrastructure construction of Xiwan project in Wenzhou	1,905,020,601.00	1,881,650,141.00
Others	20,536,829.59	23,631,734.68
Total	20,620,622,710.71	17,375,953,810.72

Note: Please refer to section III (XXXIV) 2 of notes to financial statement for details on the difference between the opening balance and the balance as of the end of the previous year (December 31, 2019).

(2) Presale of housing properties

Name of projects	Closing balance	Opening balance	Estimated completion time	Presale ratio (%)
Shenyang • Spring of the North Phase V-VI	11,898,984.76	10,536,282.85	Completed	99.22
Shenyang • Spring of the North Phase VII	3,452,333.34	10,159,630.72	Completed	100.00
Shenyang • Xinhu Garden	2,344,711.02	2,455,711.02	Completed	99.92
Shenyang • Xinhu Bay	436,913,087.15	305,332,309.52	Year 2025	71.10
Shenyang • Xianlin Golden Valley	1,136,850,109.92	235,042,565.26	Year 2025	66.74
Tianjin • Shangri-la Phase II	68,759,575.30	77,294,221.26	Completed	62.24
Hangzhou • Shangri-la	2,560,247,512.27	1,241,320,803.57	Year 2023	97.06
Quzhou • Xinhu Jingcheng	33,078,239.12	134,832,490.48	Completed	86.56
Jiujiang • Chaisang Spring	15,906,986.67	6,431,961.90	Completed	99.67
Jiujiang • Lushan International	30,361,760.83	283,906,989.46	Completed	94.79
Suzhou • Pearl City	2,221,678,528.16	1,219,898,825.07	Year 2022	98.13
Hangzhou • Xinhu Guoling	894,815,084.39	1,844,327,414.99	Completed	98.70
Shanghai • Xinhu Pearl City	2,084,233,477.96	35,910,756.00	Year 2023	94.87
Binzhou • Xinhu Rose Garden	250,108,260.09	420,406,345.76	Year 2021	88.72
Lanxi • Shangri-la	547,298,304.18	199,913,173.65	Year 2023	79.66
Hangzhou • Wulin International	41,702,242.86	20,008,171.43	Completed	98.87
Lishui • Xinhu International		15,008,610.48	Completed	99.41
Tianjin • Yiwu Trade Center	158,513,020.47	199,253,509.12	Year 2023	40.00
Jiaxing • Xinzhong Garden	25,676,430.66	1,988,553,082.31	Completed	98.90
Zhoushan • Yujing International	17,988,160.96	16,790,906.67	Completed	88.55
Yueqing • Haide Garden		1,499,979.19	Completed	100.00
Shanghai • Qinglan International	121,427,979.05	108,422,197.85	Year 2024	66.59
Rui'an • Xinhu Square	2,736,123,434.46	2,223,354,219.27	Year 2021	98.28
Rui'an • Gold & Silver Plaza Apartment	1,432,380.00	6,700,328.57	Completed	99.42
Wenling • Shuangxi Spring	1,422,285,811.92	3,304,609,358.72	Year 2021	93.94
Wenling • Jiulong Spring	1,949,724,793.58	566,852,060.55	Year 2021	67.59
Pingyang • Siji Guoling	150,220,640.96	274,721,985.69	Year 2023	68.33
Tianjin • Xinhu Meilizhou	723,353,149.54	264,892,145.86	Completed	91.98
Nantong Xinhu • Pearl Over Sea	780,632,012.84	271,600,716.19	Year 2024	51.64
Hangzhou • Golden Childhood	154,244,514.68		Year 2023	27.61
Subtotal	18,581,271,527.14	15,290,036,753.41		

26. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	30,314,297.83	468,904,838.40	467,459,055.93	31,760,080.30
Post-employment benefits - defined contribution plan	472,204.68	10,099,962.86	8,567,683.15	2,004,484.39
Termination benefits		2,725,056.92	2,725,056.92	
Total	30,786,502.51	481,729,858.18	478,751,796.00	33,764,564.69

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	25,815,375.55	405,028,138.26	403,963,576.18	26,879,937.63
Employee welfare fund	270,000.00	25,884,103.68	25,881,103.68	273,000.00
Social insurance premium	319,539.65	12,211,415.67	12,172,906.60	358,048.72
Including: Medicare premium	266,924.61	11,524,737.98	11,459,012.22	332,650.37
Occupational injuries premium	5,033.70	186,070.79	189,704.73	1,399.76
Maternity premium	47,581.34	500,606.90	524,189.65	23,998.59
Housing provident fund	650,048.37	22,665,018.41	22,690,489.78	624,577.00
Trade union fund and employee education fund	3,232,944.06	3,086,615.30	2,721,432.61	3,598,126.75
Others	26,390.20	29,547.08	29,547.08	26,390.20
Subtotal	30,314,297.83	468,904,838.40	467,459,055.93	31,760,080.30

(3) Details of defined contribution plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium	454,902.26	7,472,432.18	7,794,240.66	133,093.78
Unemployment insurance premium	17,302.42	194,964.78	206,084.89	6,182.31
Company annuity payment		2,432,565.90	567,357.60	1,865,208.30
Subtotal	472,204.68	10,099,962.86	8,567,683.15	2,004,484.39

27. Taxes and rates payable

Items	Closing balance	Opening balance
VAT	99,483,781.16	57,697,288.70
Business tax	131,965.79	131,965.79

Items	Closing balance	Opening balance
Enterprise income tax	1,388,261,509.59	1,610,752,422.89
Individual income tax withheld for tax authorities	2,806,413.55	1,974,083.43
Urban maintenance and construction tax	4,887,689.89	4,625,622.99
Land appreciation tax	317,593,337.78	248,612,860.00
Housing property tax	5,941,274.62	2,932,544.43
Deed tax	3,915,351.41	3,915,351.41
Land use tax	6,388,830.99	3,647,458.30
Stamp duty	2,809,457.97	1,076,347.16
Education surcharge	1,835,470.90	1,998,107.62
Local education surcharge	1,250,497.05	1,354,989.01
Others	621,249.16	289,556.15
Total	1,835,926,829.86	1,939,008,597.88

28. Other payables

(1) Details

Items	Closing balance	Opening balance
Dividend payable	1,787,227.10	1,787,227.10
Other payables	11,182,864,325.75	4,751,021,670.57
Total	11,184,651,552.85	4,752,808,897.67

(2) Dividend payable

Items	Closing balance	Opening balance
Dividend on ordinary shares	1,787,227.10	1,787,227.10
Total	1,787,227.10	1,787,227.10

(3) Other payables

1) Details

Items	Closing balance	Opening balance
Earnest money to purchase houses	1,483,927,578.14	78,775,661.14
Security deposits	314,407,113.43	316,026,612.94
Call loans	8,925,692,849.32	3,924,576,437.45
Equity transfer fund payable	116,000,000.00	30,000,000.00
Equity transfer fund received in advance	270,000,000.00	270,000,000.00
Temporary receipts payable	39,295,284.34	58,111,316.10
Others	33,541,500.52	73,531,642.94
Subtotal	11,182,864,325.75	4,751,021,670.57

2) Significant other payables with age over one year

Items	Closing balance	Reasons for unsettlement
绿城房地产集团有限公司 (Greentown Real Estate Group Co., Ltd.*)	2,958,048,611.11	Investments from shareholders of associates
浙江古纤道新材料股份有限公司 (Zhejiang Guxiandao Industrial Fibre Co., Ltd.*)	270,000,000.00	Equity transfer fund received in advance
Subtotal	3,228,048,611.11	

29. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowings due within one year	1,792,588,960.32	7,723,673,434.27
Bonds payable due within one year	6,729,275,101.95	8,395,484,355.76
Other non-current liabilities due within one year	2,086,500,000.00	2,000,000,000.00
Interest payable due within one year	428,003,566.21	624,958,110.28
Total	11,036,367,628.48	18,744,115,900.31

30. Other current liabilities

(1) Details

Items	Closing balance	Opening balance [Note]
Provision for clearing of land appreciation tax	3,621,212,597.25	2,601,218,178.66
Output VAT to be recognized	1,510,488,636.95	1,284,366,473.72
Short-term bonds payable		400,000,000.00
Borrowings		358,600,000.00
Accrued interest payable		29,817,413.70
Total	5,131,701,234.20	4,674,002,066.08

Note: Please refer to section III (XXXIV) 2 of notes to financial statement for details on the difference between the opening balance and the balance as of the end of the previous year (December 31, 2019).

(2) Current period movements

Bonds	Par value	Issuing date	Maturity	Amount outstanding	Opening balance	Current period issuance	Par value interest	Premium/ Discount amortization	Current period repayment	Closing balance
19 Zhe Xinhu Zhongbao ZR001	100	1/4/2019	1 year	400,000,000.00	400,000,000.00		236,712.33		400,000,000.00	
Subtotal				400,000,000.00	400,000,000.00		236,712.33		400,000,000.00	

* *The English names are for identification purpose only.*

31. Long-term borrowings

Items	Closing balance	Opening balance
Pledged borrowings	9,016,731,592.42	7,121,597,694.73
Mortgaged borrowings	127,168,487.60	695,199,819.36
Guaranteed borrowings	4,362,410,000.00	11,509,860,000.00
Mortgaged and guaranteed borrowings	7,670,112,379.09	4,044,366,787.78
Pledged and guaranteed borrowings		11,722,810,000.00
Mortgaged, pledged and guaranteed borrowings	5,279,270,796.00	450,000,000.00
Total	26,455,693,255.11	35,543,834,301.87

32. Bonds payable

(1) Details

Items	Closing balance	Opening balance
16 Xinhu 01		2,588,284,210.87
17 Zhenan Education ZR001		100,000,000.00
18 Xinhu Zhongbao MTN001		1,000,000,000.00
18 Zhongbao 01	247,618,932.95	495,816,440.27
18 Zhongbao 02	1,227,557,490.39	1,791,725,619.37
XINHU BVI N2112		1,595,133,445.57
19 Xinhu 01	749,504,605.86	749,342,704.23
19 Xinhu 03	919,346,758.68	919,152,799.84
19 Lide 01		795,151,943.43
19 Lide 02		795,151,943.43
XINHU BVI N2203	1,674,700,898.60	1,858,388,976.87
XINHU BVI N2206	1,038,657,514.41	1,107,061,370.14
Xinhu (OVS) b4.3%230327S	562,222,509.77	
20 Xinhu 01	819,286,682.49	
Xinhu (BVI) n11%230327S	777,418,444.34	
Total	8,016,313,837.49	13,795,209,454.02

(2) Current period movements (not including preferred shares/perpetual bonds classified as financial liabilities)

Bonds	Par value	Issuing date	Maturity	Amount outstanding	Opening balance	Current period issuance
16 Xinhu 01	100	5/20/2016	5 years	3,500,000,000.00	2,588,284,210.87	
17 Zhenan Education ZR001	100	12/8/2017	4 years	100,000,000.00	100,000,000.00	
18 Xinhu Zhongbao MTN001	100	3/29/2018	3 years	1,000,000,000.00	1,000,000,000.00	
18 Zhongbao 01	100	3/23/2018	4 years	500,000,000.00	495,816,440.27	

Bonds	Par value	Issuing date	Maturity	Amount outstanding	Opening balance	Current period issuance
18 Zhongbao 02	100	9/10/2018	4 years	1,800,000,000.00	1,791,725,619.37	
XINHU BVI N2112	$1,000.00	12/20/2018	3 years	1,647,168,000.00	1,595,133,445.57	
19 Xinhu 01	100	9/6/2019	4 years	750,000,000.00	749,342,704.23	
19 Xinhu 03	100	11/22/2019	4 years	920,000,000.00	919,152,799.84	
19 Lide 01	100	11/22/2019	2 years	800,000,000.00	795,151,943.43	
19 Lide 02	100	11/22/2019	23 months	800,000,000.00	795,151,943.43	
XINHU BVI N2203	$1,000.00	3/14/2019	3 years	1,918,455,000.00	1,858,388,976.87	
XINHU BVI N2206	$1,000.00	6/12/2019, 6/28/2019	3 years	1,116,192,000.00	1,107,061,370.14	
20 Xinhu 01	100	8/25/2020	4 years	820,000,000.00		820,000,000.00
Xinhu (BVI) n11%230327S	$1,000.00	3/27/2020	3 years	782,988,000.00		782,988,000.00
Xinhu (OVS) b4.3%230327S	$1,000.00	4/27/2020	35 months	567,666,300.00		567,666,300.00
Subtotal					13,795,209,454.02	2,170,654,300.00

(Continued)

Bonds	Par value interest	Premium/ Discount amortization	Current period repayment	Other decrease [Note]	Closing balance
16 Xinhu 01	184,573,004.83	3,051,852.78		2,591,336,063.65	
17 Zhenan Education ZR001	6,400,000.00			100,000,000.00	
18 Xinhu Zhongbao MTN001	68,186,301.37			1,000,000,000.00	
18 Zhongbao 01	23,157,531.83	1,802,492.68	250,000,000.00		247,618,932.95
18 Zhongbao 02	126,444,156.70	-2,168,128.98	562,000,000.00		1,227,557,490.39
XINHU BVI N2112	181,756,726.88	-55,202,157.33	97,221,010.00	1,442,710,278.24	
19 Xinhu 01	56,250,000.00	161,901.63			749,504,605.86
19 Xinhu 03	69,000,000.00	193,958.84			919,346,758.68
19 Lide 01	70,845,369.86	2,462,436.60		797,614,380.03	
19 Lide 02	70,845,369.86	2,462,436.60		797,614,380.03	
XINHU BVI N2203	208,653,307.50	-138,013,778.27	45,674,300.00		1,674,700,898.60
XINHU BVI N2206	121,398,288.00	-68,403,855.73			1,038,657,514.41
20 Xinhu 01	22,717,369.86	-713,317.51			819,286,682.49
Xinhu (BVI) n11%230327S	69,221,969.03	-5,569,555.66			777,418,444.34
Xinhu (OVS) b4.3%230327S	17,497,255.82	-5,443,790.23			562,222,509.77
Subtotal	1,296,946,651.54	-265,379,504.58	954,895,310.00	6,729,275,101.95	8,016,313,837.49

Note: 16 Xinhu 01, 17 Zhenan Education ZR001, 18 Xinhu Zhongbao MTN001, XINHU BVI N2112, 19 Lide 01 and 19 Lide 02 have been transferred into non-current liabilities due within one year in the current period.

33. Provisions

Items	Closing balance	Opening balance	Reasons for balance
Difference arising from delivery of BOT of Jiaxing Senior High School	60,000,000.00	60,000,000.00	[Note]
Others	3,719,952.00		
Total	63,719,952.00	60,000,000.00	

Note: The subsidiary Jiaxing Nanhu International Education Investment Co., Ltd. chooses BOT to build Jiaxing Senior High School (including Jiaxing Xiuzhou Modern Experimental School). Pursuant to the "Franchise Agreement on Running School" and "Notice on Assets Delivery of Jiaxing Senior High School", the amount of assets delivered in the future by Zhejiang Xinhu International Education Investment Co., Ltd. should be 60 million yuan more than that of net assets taken over. Such difference is the Company's current obligation and is recognized as provisions.

34. Deferred income

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Government grants	170,435,214.22	652,114.00	314,465.55	170,772,862.67
Total	170,435,214.22	652,114.00	314,465.55	170,772,862.67

(2) Details of government grants

Items	Opening balance	Increase	Grants included into profit or loss	Closing balance	Related to assets/income
Land arrangement compensation	28,950,666.67			28,950,666.67	Related to assets
Engineering subsidy	8,985,000.00			8,985,000.00	Related to assets
Deed tax refund	130,186,200.00			130,186,200.00	Related to assets
Education construction subsidy	2,313,347.55	652,114.00	314,465.55	2,650,996.00	Related to assets
Total	170,435,214.22	652,114.00	314,465.55	170,772,862.67	

35. Other non-current liabilities

Items	Closing balance	Opening balance
中国长城资产管理股份有限公司 (China Great Wall Asset Management Co., Ltd.*)	480,000,000.00	
中国华融资产管理股份有限公司 (China Huarong Asset Management Co., Ltd.*)	468,800,000.00	1,327,400,000.00
中信信托有限责任公司 (China CITIC Trust Co., Ltd.*)		400,000,000.00
中国东方资产管理股份有限公司 (China Orient Asset Management Co., Ltd.*)	1,715,000,000.00	2,365,000,000.00
渤海国际信托股份有限公司 (Bohai International Trust Co., Ltd.*)		200,000,000.00
Total	2,663,800,000.00	4,292,400,000.00

36. Share capital

Items	Opening balance	Movements					Closing balance
		Issue of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	
Total shares	8,599,343,536						8,599,343,536

37. Capital reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Capital premium (Share premium)	8,165,392,160.26	828,577,527.83		8,993,969,688.09
Other capital reserve	-572,329,754.04	683,653,628.96	121,813,868.66	-10,489,993.74
Total	7,593,062,406.22	1,512,231,156.79	121,813,868.66	8,983,479,694.35

(2) Other remarks

1) In the current period, increase in share premium totaling 828,577,527.83 yuan was due to the disposal of part of the equity in subsidiaries but without losing control. The difference of 828,577,527.83 yuan between the disposal consideration and the share decreased in the subsidiary's net assets was adjusted to capital reserve.

2) In the current period, increase in other capital reserve totaled 683,653,628.96 yuan, including a. increase in capital reserve (other capital reserve) of 148,642,989.96 yuan due to increase in other owner's equity of the Company's associates under equity method; and b. increase in capital reserve of 535,010,639.00 yuan due to the reversal of changes in other equity recognized in preceding periods as the Company no longer has significant influence on Shengjing Bank.

3) In the current period, decrease in other capital reserve totaled 121,813,868.66 yuan, including a.

* *The English names are for identification purpose only.*

decrease in capital reserve of 119,955,946.30 yuan due to decrease in other owner's equity of the Company's associates under equity method; and b. decrease in capital reserve of 1,857,922.36 yuan due to disposal of equity in associates.

38. Treasury shares

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Treasury shares	496,710,118.89	103,386,653.47		600,096,772.36
Total	496,710,118.89	103,386,653.47		600,096,772.36

(2) Other remarks

Pursuant to the resolutions deliberated and approved by the third meeting and the seventh meeting of the tenth session of the Board of Directors, the Company intended to repurchase its shares in the form of centralized bidding. The repurchasing amount shall be neither less than 600 million yuan, nor exceeding 1.2 billion yuan, and the repurchasing price shall not be exceeding 4.5 yuan per share. The repurchasing amount of treasury shares for maintaining the Company's value and shareholders' interest totaled 300 million yuan, while the rest repurchased shares were used for equity incentive. The Company repurchased 26,224,100 shares in the current period, and the transaction amount totaled 103,386,653.47 yuan.

39. Other comprehensive income (OCI)

Items	Opening balance [Note]	Current period cumulative						Closing balance
		Current period cumulative before income tax	Less: OCI carried forward transferred to profit or loss	Less: OCI carried forward transferred to retained earnings	Less: Income tax	Attributable to parent company (after tax)	Attributable to non-controlling shareholders (after tax)	
Items not to be reclassified subsequently to profit or loss	-117,509,556.32	-189,480,750.95		-21,652,931.76	-14,148,486.97	-153,679,332.22		-271,188,888.54
Including: OCI not to be transferred to profit or loss under equity method	-38,344,662.39	-51,051,696.99		-14,652,931.76		-36,398,765.23		-74,743,427.62
Changes in fair value of other equity instrument investments	-79,164,893.93	-138,429,053.96		-7,000,000.00	-14,148,486.97	-117,280,566.99		-196,445,460.92
Items to be reclassified subsequently to profit or loss	241,054,565.10	-5,121,641.70	-21,458,186.74			16,336,545.04		257,391,110.14
Including: OCI to be transferred to profit or loss under equity method	389,650,675.19	-404,026,589.97	-21,458,186.74			-382,568,403.23		7,082,271.96
Translation reserves	-148,596,110.09	398,904,948.27				398,904,948.27		250,308,838.18
Total	123,545,008.78	-194,602,392.65	-21,458,186.74	-21,652,931.76	-14,148,486.97	-137,342,787.18		-13,797,778.40

Note: Please refer to section III (XXXIV) 2 of notes to financial statement for details on the difference between the opening balance and the balance as of the end of the previous year (December 31, 2019).

40. Surplus reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	1,182,714,095.62	80,538,990.24		1,263,253,085.86
Discretionary surplus reserve	2,838,547.34			2,838,547.34
Total	1,185,552,642.96	80,538,990.24		1,266,091,633.20

(2) Other remarks

In the current period, the Company appropriated surplus reserve at 10% of the net profit generated by parent company.

41. Undistributed profit

(1) Details

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	17,423,654,242.74	15,850,226,656.05
Add: Increase due to adjustment (or less: decrease)	-799,442,627.25	
Opening balance after adjustment	16,624,211,615.49	15,850,226,656.05
Add: Net profit attributable to owners of the parent company	3,164,500,005.56	2,153,412,681.24
Less: Appropriation of statutory surplus reserve	80,538,990.24	79,198,229.08
Dividend payable on ordinary shares	84,338,893.00	500,786,865.47
Other comprehensive income carried over to retained earnings	21,652,931.76	
Closing balance	19,602,180,806.05	17,423,654,242.74

(2) Details on increase or decrease due to adjustment

Adjustment of -799,442,627.25 yuan was made on the undistributed profit as at January 1, 2020 due to retrospective changes based on CASBEs and relevant regulations.

(II) Notes to items of the consolidated income statement

1. Operating revenue/Operating cost

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	13,724,050,060.34	9,668,068,785.12	14,741,603,308.75	9,513,753,793.30
Other operations	67,971,001.55	42,149,719.31	68,691,806.34	40,238,455.66
Total	13,792,021,061.89	9,710,218,504.43	14,810,295,115.09	9,553,992,248.96

2. Taxes and surcharges

Items	Current period cumulative	Preceding period comparative
Business tax	281,272.60	1,067,958.31
Urban maintenance and construction tax	31,653,160.30	42,256,683.78
Education surcharge	13,676,521.87	18,113,766.31
Local education surcharge	9,075,967.81	11,875,583.26
Land appreciation tax	1,721,203,846.24	1,750,068,291.51
Housing property tax	19,903,069.95	19,193,755.33
Land use tax	15,477,789.50	22,558,725.19
Stamp duty	13,451,738.27	10,237,901.64
Others	1,903,463.08	2,611,716.53
Total	1,826,626,829.62	1,877,984,381.86

3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Advertising and promotion expenses	125,667,857.54	135,196,696.30
Employee benefits	85,964,270.22	87,129,600.48
Rental fees	1,883,502.70	2,630,001.74
Depreciation	7,403,634.91	6,539,034.23
Office expenses	14,114,067.11	8,901,009.46
Labor service fees	60,036,092.95	63,022,592.10
Business traveling expenses	3,670,369.73	4,156,231.34
Business entertainment expenses	4,809,336.22	4,546,424.24
Sales agency fee	79,716,287.04	72,550,848.38
Others	10,753,119.15	12,644,760.54
Total	394,018,537.57	397,317,198.81

4. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	207,968,952.87	198,225,432.94
Business entertainment expenses	86,625,150.41	74,562,327.67
Depreciation	21,618,593.73	23,046,113.17
Office expenses	45,609,954.95	35,849,676.86
Business traveling expenses	10,084,156.73	19,980,120.33
Transportation fees	10,532,337.78	11,312,452.85
Agency expenses	17,648,500.04	23,739,121.59

Items	Current period cumulative	Preceding period comparative
Consulting service fees	33,433,284.59	19,835,305.29
Rental fees	10,053,129.52	10,048,556.77
Others	20,158,918.31	28,736,381.97
Total	463,732,978.93	445,335,489.44

5. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenses	2,685,240,838.27	2,707,210,694.81
Less: Interest income	160,655,369.53	175,827,704.50
Losses on foreign exchange	23,743,794.64	39,122,961.92
Less: Gains on foreign exchange	10,958,064.27	19,300,237.93
Others	212,835,822.34	74,120,210.38
Total	2,750,207,021.45	2,625,325,924.68

6. Other income

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants related to assets [Note]	314,465.55	286,355.36	314,465.55
Government grants related to income [Note]	7,524,640.10	3,261,069.92	7,524,640.10
Refund of handling fees for withholding individual income tax	788,809.64	289,692.80	788,809.64
Total	8,627,915.29	3,837,118.08	8,627,915.29

Note: Please refer to section V (IV) 3 of the notes to financial statements for details on government grants included into other income.

7. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	2,794,762,657.90	2,850,831,623.70
Gains on disposal of long-term equity investments	1,438,537,139.12	546,621,360.87
Gains on remeasurement on fair value of remaining equity after losing control	1,346,459,770.21	
Loss on conversion of long-term equity investments under equity method to financial assets at fair value	-1,830,775,955.56	
Investment income from financial instruments	332,909,037.52	47,370,856.00

Items	Current period cumulative	Preceding period comparative
Including: Financial assets classified as at fair value through profit or loss	332,909,037.52	47,370,856.00
Gains on disposal of financial assets	229,400,305.67	6,679,771.77
Including: Financial assets classified as at fair value through profit or loss	229,400,305.67	6,679,771.77
Interest income	297,628,845.70	192,130,627.86
Total	4,608,921,800.56	3,643,634,240.20

8. Gains on changes in fair value

Items	Current period cumulative	Preceding period comparative
Held-for-trading financial assets	-177,665,896.01	-689,713,896.08
Total	-177,665,896.01	-689,713,896.08

9. Credit impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts	-192,903,551.55	-2,614,190.17
Total	-192,903,551.55	-2,614,190.17

10. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Inventory write-down loss	-163,858,228.44	-29,969,225.83
Total	-163,858,228.44	-29,969,225.83

11. Gains on asset disposal

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of fixed assets	1,380,522.19	185,216.21	1,380,522.19
Gains on disposal of intangible assets	1,466,468.49		1,466,468.49
Total	2,846,990.68	185,216.21	2,846,990.68

12. Non-operating revenue

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on donation	221,262.00	2,810,000.00	221,262.00
Gains on fines and confiscations	285,197.82	1,000,152.05	285,197.82

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Default fines	2,699,108.53	5,314,954.45	2,699,108.53
Exempted payments	790,252.99	5,000.93	790,252.99
Profit and loss from initial recognition of long-term equity investments	1,043,466,748.76		1,043,466,748.76
Others	3,144,635.50	1,825,498.72	3,144,635.50
Total	1,050,607,205.60	10,955,606.15	1,050,607,205.60

13. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Losses on damage or retirement of non-current assets	345,905.78	445,174.99	345,905.78
Local water conservancy fund	51,259.21	204,082.88	
Donation expenditures	33,192,616.00	66,335,800.00	33,192,616.00
Penalties	2,726,162.89	865,733.33	2,726,162.89
Others	11,904,284.73	22,482,478.30	11,904,284.73
Total	48,220,228.61	90,333,269.50	48,168,969.40

14. Income tax expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	757,334,475.70	1,078,065,122.00
Deferred income tax expenses	-312,737,355.25	-433,370,586.27
Total	444,597,120.45	644,694,535.73

(2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative	Preceding period comparative
Profit before tax	3,735,573,197.41	2,756,321,470.40
Income tax expenses based on applicable tax rate	933,893,299.35	689,080,367.60
Effect of different tax rate applicable to subsidiaries	-532,452.28	
Effect of prior income tax reconciliation	-114,231.60	-9,025,630.04
Effect of non-taxable income	-236,951,421.86	-693,499,427.02
Effect of taxable gains (losses)		100,500,219.17
Effect of non-deductible costs, expenses and losses	20,016,723.57	12,273,699.39

Items	Current period cumulative	Preceding period comparative
Effect of other permanent difference	-124,484,745.63	513,646,459.82
Utilization of deductible losses not previously recognized as deferred tax assets	-346,074,206.42	-133,800,320.41
Effect of deducible temporary differences or deductible losses not recognized as deferred tax assets in the current period	188,299,730.91	173,591,117.83
Effect of deducible temporary differences or deductible losses not previously recognized but recognized as deferred tax assets in the current period		-4,602,742.84
Effect of deducible temporary differences or deductible losses previously recognized but no longer recognized as deferred tax assets in the current period	10,544,424.41	-3,469,207.77
Income tax expenses	444,597,120.45	644,694,535.73

15. Other comprehensive income, net of income tax

Please refer to section V (I) 39 of notes to financial statements for details.

(III) Notes to items of the consolidated cash flow statement

1. Other cash receipts related to operating activities

Items	Current period cumulative	Preceding period comparative
Current accounts	107,398,740.87	139,252,255.41
Government grants except for receipts of tax refund	8,176,754.10	4,917,662.56
Deposits and agency receipts	709,994,803.67	562,662,470.65
Deposits for mortgaged guarantee	70,120,571.76	37,931,470.16
Interest income from cash in bank	119,689,107.96	208,357,617.46
Others	415,590,449.92	109,603,577.59
Total	1,430,970,428.28	1,062,725,053.83

2. Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Current accounts	168,213,051.43	127,263,485.31
Deposits and agency receipts	608,626,499.12	694,164,866.84
Administrative expenses	241,885,184.89	213,019,670.71
Selling expenses	300,734,056.06	279,692,637.97
Deposits for mortgaged guarantee	26,327,376.66	8,687,471.40
Donation expenditures	33,091,916.00	64,565,000.00
Others	113,490,081.70	55,989,869.78

Items	Current period cumulative	Preceding period comparative
Total	1,492,368,165.86	1,443,383,002.01

3. Other cash receipts related to investing activities

Items	Current period cumulative	Preceding period comparative
Recovery of lending funds	3,988,649,137.28	3,501,419,125.42
Redemption of structured deposits	5,000,000.00	135,000,000.00
Total	3,993,649,137.28	3,636,419,125.42

4. Other cash payments related to investing activities

Items	Current period cumulative	Preceding period comparative
Lending funds	1,351,193,792.89	1,286,617,682.42
Purchase of structured deposits	1,616,000,000.00	
Net cash decreased due to disposal of subsidiaries and other business units	1,100,835,545.73	3,504,437.81
Others	52,143,158.42	5,130,000.00
Total	4,120,172,497.04	1,295,252,120.23

5. Other cash receipts related to financing activities

Items	Current period cumulative	Preceding period comparative
Borrowing funds	6,787,017,375.14	4,034,981,030.28
Notes discount		387,833,333.32
Deposit for bank acceptance		70,000,000.00
Deposit for borrowings	70,687,773.17	1,775,543,669.16
Trust protection fund	27,806,000.00	30,968,000.00
Cash receipts from disposal of partial equity of subsidiaries	915,780,218.85	550,000,000.00
Time certificate of deposit pledged for bank borrowings	47,030,000.00	
Total	7,848,321,367.16	6,849,326,032.76

6. Other cash payments related to financing activities

Items	Current period cumulative	Preceding period comparative
Repayment of borrowing funds	1,789,792,457.76	1,043,752,338.99
Deposit pledged for borrowings	2,331,252,848.47	2,471,643,764.52
Deposit for bank acceptance		200,000,000.00
Other financing expenses including bank consulting fees	242,128,737.35	239,642,249.68

Items	Current period cumulative	Preceding period comparative
Acceptance of bill		120,000,000.00
Acquisition of non-controlling interest of subsidiaries		390,000,000.00
Trust protection fund	3,534,000.00	27,859,000.00
Bond issuance expenses	34,576,764.59	22,646,042.44
Repurchase of shares	103,386,653.47	496,710,118.89
Total	4,504,671,461.64	5,012,253,514.52

7. Supplement information to the cash flow statement

(1) Supplement information to the cash flow statement

Supplement information	Current period cumulative	Preceding period comparative
1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	3,290,976,076.96	2,111,626,934.67
Add: Provision for assets impairment loss	356,761,779.99	32,583,416.00
Depreciation of fixed assets, oil and gas assets, productive biological assets	103,388,957.54	86,871,232.19
Amortization of intangible assets	8,805,836.33	7,206,924.88
Amortization of long-term prepayments	7,541,533.67	7,171,986.72
Loss on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	-2,846,990.68	-185,216.21
Fixed assets retirement loss (Less: gains)	345,905.78	439,874.99
Losses on changes in fair value (Less: gains)	177,665,896.01	689,713,896.08
Financial expenses (Less: gains)	2,875,131,925.94	2,790,702,629.66
Investment losses (Less: gains)	-4,608,921,800.56	-3,643,634,240.20
Decrease of deferred tax assets (Less: increase)	-305,422,703.67	-426,315,006.88
Increase of deferred tax liabilities (Less: decrease)	-7,314,651.58	-7,055,579.39
Decrease of inventories (Less: increase)	-2,094,709,590.15	-5,394,845,756.27
Decrease of operating receivables (Less: increase)	-130,924,271.08	489,271,163.95
Increase of operating payables (Less: decrease)	6,410,363,242.88	5,523,953,511.40
Others	-1,041,425,169.02	
Net cash flows from operating activities	5,039,415,978.36	2,267,505,771.59
2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets leased in under finance leases		
3) Net changes in cash and cash equivalents:		

Supplement information	Current period cumulative	Preceding period comparative
Cash at the end of the period	10,787,974,159.34	12,525,642,105.32
Less: Cash at the beginning of the period	12,525,642,105.32	14,583,268,372.24
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	-1,737,667,945.98	-2,057,626,266.92

(2) Net cash receipts from disposal of subsidiaries in the current period

Items	Current period cumulative
Cash and cash equivalents received in the current period for disposal of subsidiaries in the current period	822,172,571.93
Including: Nantong Qixin Real Estate Co., Ltd.	258,172,571.93
Zhejiang Qilong Industrial Co., Ltd.	564,000,000.00
Less: Cash and cash equivalents held by subsidiaries on which the Company lost control	1,687,062,963.11
Including: Nantong Qixin Real Estate Co., Ltd.	22,227,417.38
Zhejiang Qilong Industrial Co., Ltd.	1,664,835,545.73
Net cash receipts from disposal of subsidiaries in the current period	-864,890,391.18

Net cash receipts from disposal of Nantong Qixin Real Estate Co., Ltd. totaled 235,945,154.55 yuan, which was presented under net cash receipts from the disposal of subsidiaries & other business units; net cash receipts from disposal of Zhejiang Qilong Industrial Co., Ltd. totaled -1,100,835,545.73 yuan, which was presented under other cash payments related to investing activities.

(3) Composition of cash and cash equivalents

Items	Closing balance	Opening balance
1) Cash	10,787,974,159.34	12,525,642,105.32
Including: Cash on hand	762,804.86	819,740.13
Cash in bank on demand for payment	10,726,338,185.56	12,470,585,654.77
Other cash and bank balances on demand for payment	60,873,168.92	54,236,710.42
Central bank deposit on demand for payment		
Deposit in other banks		
Loans to other banks		
2) Cash equivalents		
Including: Bond investments maturing within three months		
3) Cash and cash equivalents at the end of the period	10,787,974,159.34	12,525,642,105.32
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

(IV) Others

1. Assets with title or use right restrictions

Items	Closing carrying amount	Reasons for restrictions
Cash and bank balances	6,133,117,715.92	Please refer to notes to cash and bank balances
Other equity instrument investments	373,600,000.00	Pledged
Long-term equity investments	18,515,423,577.31	Pledged
Other non-current financial assets	1,661,384,736.45	Pledged
Other receivables	27,995,600.00	Pledged
Inventories	17,726,920,241.86	Mortgaged
Fixed assets	241,054,602.97	Mortgaged
Investment property	664,852,967.16	Mortgaged
Total	45,344,349,441.67	

2. Monetary items in foreign currencies

(1) Details

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank balances			3,452,450,844.15
Including: USD	43,229,478.52	6.5249	282,080,080.40
HKD	3,766,766,000.58	0.8416	3,170,260,936.88
AUD	21,894.00	5.0163	109,826.87
Short-term borrowings			1,502,725,169.72
Including: USD	230,306,237.60	6.5249	1,502,725,169.72
Non-current liabilities due within one year			1,543,452,785.85
Including: USD	235,791,692.91	6.5249	1,538,517,217.07
HKD	5,864,227.92	0.8416	4,935,568.78
Long-term borrowings			7,419,731,592.42
Including: USD	166,400,000.00	6.5249	1,085,743,360.00
HKD	7,525,532,714.20	0.8416	6,333,988,232.42
Bonds payable			4,052,999,367.12
Including: USD	621,158,847.97	6.5249	4,052,999,367.12

(2) Foreign operations

Name	Place of registration	Functional currency	Currency criteria
Hong Kong Xinhu Investment Co., Ltd.	Hong Kong	USD	Currency used in daily operations
Taichang Investment Co., Ltd.	The British Virgin Islands	USD	

Name	Place of registration	Functional currency	Currency criteria
Hong Kong Guansheng Investment Co., Ltd.	Hong Kong	HKD	
Guanhong Investment Co., Ltd.	Cayman Islands	USD	
Taixin Holdings Co., Ltd.	Cayman Islands	USD	
Tairong Holdings Co., Ltd.	Cayman Islands	USD	
Hong Kong Xin'ao Investment Co., Ltd.	Hong Kong	USD	
Australia Xing'ao Investment Co., Ltd.	Australia	AUD	
Xinhu (BVI) Holding Company Limited	The British Virgin Islands	USD	
Xinhu (Oversea) 2017 Investment Co., Ltd.	The British Virgin Islands	RMB	
Xinhu (BVI) 2018 Holding Company Limited	The British Virgin Islands	USD	
Total Partner Global Limited	The British Virgin Islands	HKD	
Summit Idea Limited	The British Virgin Islands	HKD	
Guanrui Investment Co., Ltd.	The British Virgin Islands	USD	
Guanli Investment Co., Ltd.	The British Virgin Islands	USD	
Guanying Investment Co., Ltd.	The British Virgin Islands	USD	

3. Government grants

(1) Details

1) Government grants related to assets

Items	Opening balance of deferred income	Increase	Amortization	Closing balance of deferred income	Amortization presented under	Remarks
Land arrangement compensation	28,950,666.67			28,950,666.67		
Engineering subsidy	8,985,000.00			8,985,000.00		
Deed tax refund	130,186,200.00			130,186,200.00		
Education construction subsidy	2,313,347.55	652,114.00	314,465.55	2,650,996.00	Other income	
Subtotal	170,435,214.22	652,114.00	314,465.55	170,772,862.67		

2) Government grants related to income and used to compensate incurred relevant costs, expenses or losses

Items	Amounts	Presented under	Remarks
Government awards	320,000.00	Other income	
Government subsidies	2,738,208.92	Other income	
Education subsidies	4,121,450.00	Other income	
Others	344,981.18	Other income	
Subtotal	7,524,640.10		

(2) In the current period, government grants included into profit or loss totaled 7,839,105.65 yuan.

VI. Changes in the consolidation scope

(I). Disposal of subsidiary

One-time disposal involving loss of control over a subsidiary

Subsidiaries	Equity disposal consideration	Equity disposal proportion (%)	Equity disposal method	Loss of control date	Determination basis for loss of control date	Difference between disposal consideration and net assets attributable to the Company at the consolidated financial statements level
Nantong Qixin Real Estate Co., Ltd.	258,172,571.93	50.00	Sale	5/13/2020	Completion of registration of the change	240,306,888.25
Zhejiang Qilong Industrial Co., Ltd. [Note]	1,128,000,000.00	50.00	Sale	12/18/2020	Completion of registration of the change	1,192,044,417.51

(Continued)

Subsidiaries	Proportion of remaining equity at the loss of control date (%)	Carrying amount of remaining equity at the loss of control date	Fair value of remaining equity at the loss of control date	Gains/losses on fair value remeasurement of remaining equity	Determination method and significant assumption on fair value of remaining equity at the loss of control date	Changes in other comprehensive income/equity related to former subsidiary's equity investment transferred to investment income
Nantong Qixin Real Estate Co., Ltd.	50	17,865,683.68	258,172,571.93	240,306,888.25	Contract	
Zhejiang Qilong Industrial Co., Ltd. [Note]	50	21,847,118.04	1,128,000,000.00	1,106,152,881.96	Contract	

Note: Zhejiang Qilong Industrial Co., Ltd. holds 100% equity of 上海新湖城市开发有限公司 (Shanghai Xinhu Urban Development Co., Ltd.*), which holds 100% equity of Shanghai Yalong Gucheng Real Estate Development Co., Ltd. Therefore, when the Company disposed of 50% equity of Zhejiang Qilong Industrial Co., Ltd. in the current period, it lost the control over Shanghai Xinhu Urban Development Co., Ltd. and Shanghai Yalong Gucheng Real Estate Development Co., Ltd. at the same time.

(II) Changes in consolidation scope due to other reasons

1. Entities brought into the consolidation scope

Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Capital contribution proportion (%)
启东江之旅建设有限公司 (Qidong Jiangzhilv Construction Co., Ltd.*)	Establishment	8/13/2020	Not yet contributed	100
南昌乐智信息咨询有限公司 (Nanchang Lezhi Information Consulting Co., Ltd.*)	Establishment	4/3/2020	Not yet contributed	100

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Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Capital contribution proportion (%)
杭州乐同实业有限公司 (Hangzhou Letong Industrial Co., Ltd.*)	Establishment	6/10/2020	Not yet contributed	100
杭州兰熙景观工程有限公司 (Hangzhou Lanxi Landscape Engineering Co., Ltd.*)	Establishment	6/17/2020	Not yet contributed	100
乐清新湖联合置业有限公司 (Yueqing Xinhu United Real Estate Co., Ltd.*)	Establishment	6/17/2020	32,500,000.00	65
杭州蔻斯造价咨询有限公司 (Hangzhou Kousi Cost Consulting Co., Ltd.*)	Establishment	7/7/2020	Not yet contributed	100
海南琼琚机电设备有限公司 (Hainan Qiongju Electromechanical Devices Co., Ltd.*)	Establishment	8/18/2020	Not yet contributed	100
上海栩复企业管理有限公司 (Shanghai Xufu Business Management Co., Ltd.*)	Establishment	9/4/2020	Not yet contributed	100
上海曼蓝企业管理有限公司 (Shanghai Manlan Business Management Co., Ltd.*)	Establishment	9/8/2020	Not yet contributed	100
浙江慧诺企业管理有限公司 (Zhejiang Huinuo Business Management Co., Ltd.*)	Establishment	8/28/2020	500,000,000.00	100
海南灵泉企业管理有限公司 (Hainan Lingquan Business Management Co., Ltd.*)	Establishment	9/2/2020	Not yet contributed	100
浙江慧意企业管理有限公司 (Zhejiang Huiyi Business Management Co., Ltd.*)	Establishment	11/12/2020	Not yet contributed	100
杭州莱意企业管理有限公司 (Hangzhou Laiyi Business Management Co., Ltd.*)	Establishment	12/15/2020	Not yet contributed	100
杭州莱裕企业管理有限公司 (Hangzhou Laiyu Business Management Co., Ltd.*)	Establishment	12/14/2020	Not yet contributed	100
嘉兴嘉升实业有限公司 (Jiaxing Jiasheng Industrial Co., Ltd.*)	Establishment	6/24/2020	Not yet contributed	100
瑞安市立启工程监理有限公司 (Ruian Liqi Project supervision Co., Ltd.*)	Establishment	7/20/2020	Not yet contributed	100
上海禾垣企业管理有限公司 (Shanghai Heyuan Business Management Co., Ltd.*)	Establishment	9/1/2020	Not yet contributed	100
上海菲珀企业管理有限公司 (Shanghai Feipo Business	Establishment	9/8/2020	Not yet contributed	100

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Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Capital contribution proportion (%)
Management Co., Ltd.*)				
海南慧石企业管理有限公司 (Hainan Huishi Business Management Co., Ltd.*)	Establishment	8/19/2020	Not yet contributed	100
海南舜轩实业有限公司 (Hainan Shunxuan Industrial Co., Ltd.*)	Establishment	7/10/2020	Not yet contributed	100
杭州嘉弢科技合伙企业（有限合伙) (Hangzhou Jiatao Technology Partnership (LP)*)	Establishment	10/16/2020	Not yet contributed	100
杭州乐然实业有限公司 (Hangzhou Leran Industrial Co., Ltd.*)	Establishment	6/10/2020	Not yet contributed	100
上海巨迈设计咨询有限公司 (Shanghai Jumai Design Consulting Co., Ltd.*)	Establishment	7/29/2020	Not yet contributed	100
海南智涯科技有限公司 (Hainan Zhiya Technology Co., Ltd.*)	Establishment	8/20/2020	Not yet contributed	100
杭州砺飞科技合伙企业（有限合伙) (Hangzhou Lifei Technology Partnership (LP)*)	Establishment	10/14/2020	Not yet contributed	100
杭州砺芯科技合伙企业（有限合伙) (Hangzhou Lixin Technology Partnership (LP)*)	Establishment	10/14/2020	Not yet contributed	100
杭州砺云科技合伙企业（有限合伙) (Hangzhou Liyun Technology Partnership (LP)*)	Establishment	10/14/2020	Not yet contributed	100
杭州新允科技合伙企业（有限合伙) (Hangzhou Xinyun Technology Partnership (LP)*)	Establishment	9/4/2020	Not yet contributed	100
杭州智蕴科技合伙企业（有限合伙) (Hangzhou Zhiyun Technology Partnership (LP)*)	Establishment	9/11/2020	Not yet contributed	100
杭州琅乐科技合伙企业（有限合伙) (Hangzhou Langle Technology Partnership (LP)*)	Establishment	9/18/2020	Not yet contributed	100
杭州琅链科技合伙企业（有限合伙) (Hangzhou Langlian Technology Partnership (LP)*)	Establishment	9/18/2020	Not yet contributed	100
杭州智坦科技合伙企业（有限合伙) (Hangzhou Zhitan Technology Partnership (LP)*)	Establishment	9/11/2020	Not yet contributed	100
杭州琅慧科技合伙企业（有限合伙) (Hangzhou Langhui Technology Partnership (LP)*)	Establishment	9/18/2020	Not yet contributed	100
杭州琅璜科技合伙企业（有限	Establishment	9/18/2020	Not yet	100

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Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Capital contribution proportion (%)
合伙) (Hangzhou Langhuang Technology Partnership (LP)*)			contributed	
杭州智年科技合伙企业（有限合伙) (Hangzhou Zhinian Technology Partnership (LP)*)	Establishment	9/11/2020	Not yet contributed	100
杭州砺融科技合伙企业（有限合伙) (Hangzhou Lirong Technology Partnership (LP)*)	Establishment	9/18/2020	Not yet contributed	100
杭州砺创科技合伙企业（有限合伙) (Hangzhou Lichuang Technology Partnership (LP)*)	Establishment	9/18/2020	Not yet contributed	100
杭州砺易科技合伙企业（有限合伙) (Hangzhou Liyi Technology Partnership (LP)*)	Establishment	9/18/2020	Not yet contributed	100
杭州砺通科技合伙企业（有限合伙) (Hangzhou Litong Technology Partnership (LP)*)	Establishment	9/18/2020	Not yet contributed	100
杭州砺晖科技合伙企业（有限合伙) (Hangzhou Lihui Technology Partnership (LP)*)	Establishment	10/16/2020	Not yet contributed	100
杭州砺乐科技合伙企业（有限合伙) (Hangzhou Lile Technology Partnership (LP)*)	Establishment	9/18/2020	Not yet contributed	100
杭州嘉秀科技合伙企业（有限合伙) (Hangzhou Jiaxiu Technology Partnership (LP)*)	Establishment	9/18/2020	Not yet contributed	100
杭州嘉樾科技合伙企业（有限合伙) (Hangzhou Jiayue Technology Partnership (LP)*)	Establishment	10/16/2020	Not yet contributed	100
杭州嘉蔚科技合伙企业（有限合伙) (Hangzhou Jiawei Technology Partnership (LP)*)	Establishment	10/16/2020	Not yet contributed	100
海南新湖智珍科技合伙企业(有限合伙) (Hainan Xinhu Zhizhen Technology Partnership (LP)*)	Establishment	9/4/2020	Not yet contributed	100
杭州澜谐科技合伙企业（有限合伙) (Hangzhou Lanxie Technology Partnership (LP)*)	Establishment	9/11/2020	Not yet contributed	100
杭州澜进科技合伙企业（有限合伙) (Hangzhou Lanjin Technology Partnership (LP)*)	Establishment	9/11/2020	Not yet contributed	100
杭州澜现科技合伙企业（有限合伙) (Hangzhou Lanxian Technology Partnership (LP)*)	Establishment	9/11/2020	Not yet contributed	100
杭州澜毅科技合伙企业（有限合伙) (Hangzhou Lanyi	Establishment	9/11/2020	Not yet contributed	100

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Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Capital contribution proportion (%)
Technology Partnership (LP)*)				
海南新湖投资有限公司 (Hainan Xinhu Investment Co., Ltd.*)	Establishment	8/20/2020	Not yet contributed	100
海南金颂投资有限公司 (Hainan Jinsong Investment Co., Ltd.*)	Establishment	7/13/2020	Not yet contributed	100
Guanli Investment Co., Ltd.	Establishment	9/22/2020	Not yet contributed	100
Guanying Investment Co., Ltd.	Establishment	9/22/2020	Not yet contributed	100

2. Entities excluded from the consolidation scope

Entities	Equity disposal method	Equity disposal date	Disposal-date net assets	Net profit from the period beginning to the disposal date
泰安新湖房地产开发有限公司 (Tai'an Xinhu Real Estate Development Co., Ltd.*)	Cancellation	9/4/2020	89,299,997.19	4,216,396.17

VII. Interest in other entities

(I) Interest in significant subsidiaries

1. Composition of significant subsidiaries

(1) Basis information

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
沈阳沈北金谷置业有限公司 (Shenyang Shenbei Jingu Real Estate Co., Ltd.*)	Shenyang	Shenyang	Real estate		65.00	Establishment
沈阳青蓝装饰工程有限公司 (Shenyang Qinglan Decoration Engineering Co., Ltd.*)	Shenyang	Shenyang	Decoration and landscape engineering		100.00	Establishment
沈阳新湖明珠置业有限公司 (Shenyang Xinhu Mingzhu Real Estate Co., Ltd.*)	Shenyang	Shenyang	Real estate		65.00	Establishment
天津新湖凯华投资有限公司 (Tianjin Xinhu Kaihua Investment Co., Ltd.*)	Tianjin	Tianjin	Real estate		100.00	Establishment
天津新湖中宝投资有限公司 (Tianjin Xinhu Zhongbao Investment Co., Ltd.*)	Tianjin	Tianjin	Real estate		100.00	Establishment
义乌北方（天津）国际商贸城有限公司 (Yiwu North (Tianjin) International Trade City Co., Ltd.*)	Tianjin	Tianjin	Market development and real estate development		100.00	Establishment
天津新湖物业发展有限公司 (Tianjin Xinhu Property Development Co., Ltd.*)	Tianjin	Tianjin	Market management and service		100.00	Establishment

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Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
天津海建市政工程有限公司 (Tianjin Haijian Municipal Engineering Co., Ltd.*)	Tianjin	Tianjin	Civil engineering, decoration and landscape		100.00	Establishment
滨州新湖房地产开发有限公司 (Binzhou Xinhu Real Estate Development Co., Ltd.*)	Binzhou	Binzhou	Real estate		100.00	Establishment
南通新湖置业有限公司 (Nantong Xinhu Real Estate Co., Ltd.*)	Nantong	Nantong	Real estate		50.00	Establishment
南通启阳建设开发有限公司 (Nantong Qiyang Construction Development Co., Ltd.*)	Nantong	Nantong	Real estate		50.00	Establishment
启东新湖建设发展有限公司 (Qidong Xinhu Construction and Development Co., Ltd.*)	Nantong	Nantong	Real estate		100.00	Establishment
苏州充橙商业管理有限公司 (Suzhou Chongcheng Commercial Management Co., Ltd.*)	Wujiang	Wujiang	Commercial management		100.00	Establishment
上海新湖天虹城市开发有限公司 (Shanghai Xinhu Tianhong Urban Development Co., Ltd.*)	Shanghai	Shanghai	Real estate		100.00	Establishment
杭州新湖明珠置业有限公司 (Hangzhou Xinhu Mingzhu Real Estate Co., Ltd.*)	Hangzhou	Hangzhou	Real estate		100.00	Establishment
杭州新湖鸬鸟置业有限公司 (Hangzhou Xinhu Luniao Real Estate Co., Ltd.*)	Hangzhou	Hangzhou	Real estate		100.00	Establishment
浙江新湖海创地产发展有限公司 (Zhejiang Xinhu Haichuang Real Estate Development Co., Ltd.*)	Hangzhou	Hangzhou	Real estate		100.00	Establishment
嘉兴新湖中房置业有限公司 (Jiaxing Xinhu CRED Real Estate Co., Ltd.*)	Jiaxing	Jiaxing	Real estate	51.00		Establishment
舟山新湖置业有限公司 (Zhoushan Xinhu Real Estate Co., Ltd.*)	Zhoushan	Zhoushan	Real estate	45.00	55.00	Establishment
丽水新湖置业有限公司 (Lishui Xinhu Real Estate Co., Ltd.*)	Lishui	Lishui	Real estate		100.00	Establishment
温岭新湖地产发展有限公司 (Wenling Xinhu Real Estate Development Co., Ltd.*)	Wenling	Wenling	Real estate		100.00	Establishment
温岭锦辉置业有限公司 (Wenling Jinhui Real Estate Co., Ltd.*)	Wenling	Wenling	Real estate		51.00	Establishment
乐清新湖置业有限公司 (Yueqing Xinhu Real Estate Co., Ltd.*)	Yueqing	Yueqing	Real estate		65.00	Establishment
Yueqing Xinhu United Real Estate Co., Ltd.	Yueqing	Yueqing	Real estate		65.00	Establishment
瑞安市中宝置业有限公司 (Rui'an Zhongbao Real Estate Co., Ltd.*)	Rui'an	Rui'an	Real estate		95.00	Establishment
平阳伟成置业有限公司 (Pingyang Weicheng Real Estate Co., Ltd.*)	Pingyang	Pingyang	Real estate		100.00	Establishment

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Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
平阳安瑞置业有限公司 (Pingyang Anrui Real Estate Co., Ltd.*)	Pingyang	Pingyang	Real estate	51.00	49.00	Establishment
平阳宝瑞置业有限公司 (Pingyang Baorui Real Estate Co., Ltd.*)	Pingyang	Pingyang	Real estate	51.00	49.00	Establishment
平阳隆瑞置业有限公司 (Pingyang Longrui Real Estate Co., Ltd.*)	Pingyang	Pingyang	Real estate		100.00	Establishment
九江新湖中宝置业有限公司 (Jiujiang Xinhu Zhongbao Real Estate Co., Ltd.*)	Jiujiang	Jiujiang	Real estate		100.00	Establishment
启东新湖投资开发有限公司 (Qidong Xinhu Investment & Development Co., Ltd.*)	Nantong	Nantong	Tidal flat reclamation of river and sea	100.00		Establishment
启东三水汇生态环境科技有限公司 (Qidong Sanshuihui Eco-environmental Science & Technology Co., Ltd.*)	Nantong	Nantong	Fitness, fishing and conference services; agricultural planting, selling and leasing		100.00	Establishment
Qidong Jiangzhilv Construction Co., Ltd.	Nantong	Nantong	Tidal flat reclamation of river and sea		100.00	Establishment
启东新湖碧海旅游管理有限公司 (Qidong Xinhu Bihai Tourism Management Co., Ltd.*)	Nantong	Nantong	Tourism service, catering service		100.00	Establishment
Shanghai Jumai Design Consulting Co., Ltd.	Shanghai	Shanghai	Project Management		100.00	Establishment
Shanghai Heyuan Business Management Co., Ltd.	Shanghai	Shanghai	Project Management		100.00	Establishment
Shanghai Feipo Business Management Co., Ltd.	Shanghai	Shanghai	Project Management		100.00	Establishment
Shanghai Xufu Business Management Co., Ltd.	Shanghai	Shanghai	Project Management		100.00	Establishment
Shanghai Manlan Business Management Co., Ltd.	Shanghai	Shanghai	Project Management		100.00	Establishment
上海拓驿投资管理有限公司 (Shanghai Tuoyi Investment Management Co., Ltd.*)	Shanghai	Shanghai	Investment	100.00		Establishment
新湖中宝投资管理有限公司 (Xinhu Zhongbao Investment Management Co., Ltd.*)	Hangzhou	Hangzhou	Investment	100.00		Establishment
浙江新湖金融信息服务有限公司 (Zhejiang Xinhu Financial Information Service Co., Ltd.*)	Hangzhou	Hangzhou	Financial service	100.00		Establishment
浙江新湖智脑投资管理合伙企业（有限合伙）(Zhejiang Xinhu Zhinao Investment Management Partnership (LP)*)	Hangzhou	Hangzhou	Investment		100.00	Establishment
浙江新湖乐居科技有限公司 (Zhejiang Xinhu Leju Technology Co., Ltd.*)	Hangzhou	Hangzhou	Development of computer software	100.00		Establishment
浙江智新科技有限公司 (Zhejiang Zhixin Technology Co., Ltd.*)	Hangzhou	Hangzhou	Investment	100.00		Establishment

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Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
浙江典安实业有限公司 (Zhejiang Dianan Industrial Co., Ltd.*)	Hangzhou	Hangzhou	Project management		100.00	Establishment
Hangzhou Kousi Cost Consulting Co., Ltd.	Hangzhou	Hangzhou	Project management		100.00	Establishment
浙江厚珩实业有限公司 (Zhejiang Houyan Industrial Co., Ltd.*)	Hangzhou	Hangzhou	Project management		100.00	Establishment
浙江启辉实业有限公司 (Zhejiang Qihui Industrial Co., Ltd.*)	Hangzhou	Hangzhou	Project management		100.00	Establishment
浙江福信实业有限公司 (Zhejiang Fuxin Industrial Co., Ltd. *)	Hangzhou	Hangzhou	Project management		100.00	Establishment
浙江启远实业有限公司 (Zhejiang Qiyuan Industrial Co., Ltd.*)	Hangzhou	Hangzhou	Project management		100.00	Establishment
Hangzhou Letong Industrial Co., Ltd.	Hangzhou	Hangzhou	Project management		100.00	Establishment
Hangzhou Lanxi Landscape Engineering Co., Ltd.	Hangzhou	Hangzhou	Landscaping engineering construction		100.00	Establishment
Hangzhou Leran Industrial Co., Ltd.	Hangzhou	Hangzhou	Project management		100.00	Establishment
Zhejiang Huinuo Business Management Co., Ltd.	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Xinyun Technology Partnership (LP)	Hangzhou	Hangzhou	Business management	80.00	20.00	Establishment
Hangzhou Zhiyun Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Zhitan Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Zhinian Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Jiaxiu Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Langle Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Langlian Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Langhui Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Langhuang Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Lichuang Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Lirong Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Liyi Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Lile Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Litong Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Lanxie Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Lanjin Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment

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Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
Hangzhou Lanxian Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Lanyi Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Jiatao Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Lixin Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Liyun Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Lifei Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Jiawei Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Jiayue Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Lihui Technology Partnership (LP)	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Laiyu Business Management Co., Ltd.	Hangzhou	Hangzhou	Business management		100.00	Establishment
Zhejiang Huiyi Business Management Co., Ltd.	Hangzhou	Hangzhou	Business management		100.00	Establishment
Hangzhou Laiyi Business Management Co., Ltd.	Hangzhou	Hangzhou	Business management		100.00	Establishment
Jiaxing Jiasheng Industrial Co., Ltd.	Jiaxing	Jiaxing	Project management		100.00	Establishment
Ruian Liqi Project supervision Co., Ltd.	Ruian	Ruian	Project supervision		100.00	Establishment
Nanchang Lezhi Information Consulting Co., Ltd.	Nanchang	Nanchang	Consulting		100.00	Establishment
Hainan Huishi Business Management Co., Ltd.	Sanya	Sanya	Business management		100.00	Establishment
Hainan Shunxuan Industrial Co., Ltd.	Sanya	Sanya	Commercial Trade		100.00	Establishment
Hainan Lingquan Business Management Co., Ltd.	Sanya	Sanya	Business management		100.00	Establishment
Hainan Xinhu Zhizhen Technology Partnership (LP)	Sanya	Sanya	Business management		100.00	Establishment
Hainan Zhiya Technology Co., Ltd.	Sanya	Sanya	Business management		100.00	Establishment
Hainan Xinhu Investment Co., Ltd.	Sanya	Sanya	Business management	100.00		Establishment
Hainan Jinsong Investment Co., Ltd.	Sanya	Sanya	Business management	100.00		Establishment
Hainan Qiongju Electromechanical Devices Co., Ltd.	Sanya	Sanya	Commercial Trade		100.00	Establishment
Guizhou Xinhu Energy Co., Ltd.	Bijie	Bijie	Sale of minerals and energy project investment	100.00		Establishment
浙江新湖国际教育投资有限公司 (Zhejiang Xinhu International Education Investment Co., Ltd.*)	Jiaxing	Jiaxing	Investment and development in education industry		100.00	Establishment
嘉兴南湖国际实验中学 (Jiaxing Nanhu International Experimental Middle School*)	Jiaxing	Jiaxing	Middle school		100.00	Establishment

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Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
嘉兴市南湖区南湖国际罗马都市幼儿园 (Jiaxing Nanhu District Nanhu International Rome City Kindergarten*)	Jiaxing	Jiaxing	Pre-school education		100.00	Establishment
嘉兴经济技术开发区世贸新城幼儿园 (Jiaxing Economic & Development Zone Shimao City Kindergarten*)	Jiaxing	Jiaxing	Education service		60.00	Establishment
新湖影视传播有限公司 (Xinhu Entertainment Co., Ltd.*)	Hangzhou	Hangzhou	Film and television investment, advertisement and cultural education training, etc.	100.00		Establishment
上海众孚实业有限公司 (Shanghai Zhongfu Industrial Co., Ltd.*)	Shanghai	Shanghai	Industrial investment		100.00	Establishment
上海融喆投资发展有限公司 (Shanghai Rongzhe Investment Development Co., Ltd.*)	Shanghai	Shanghai	Investment		95.00	Establishment
Hong Kong Xinhu Investment Co., Ltd.	Hong Kong	Hong Kong	Investment	100.00		Establishment
Taichang Investment Co., Ltd.	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Establishment
Hong Kong Xin'ao Investment Co., Ltd.	Hong Kong	Hong Kong	Investment	100.00		Establishment
Hong Kong Guansheng Investment Co., Ltd.	Hong Kong	Hong Kong	Investment		100.00	Establishment
Australia Xing'ao Investment Co., Ltd.	Australia	Australia	Investment		100.00	Establishment
Xinhu (BVI) Holding Company Limited	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Establishment
Xinhu (Oversea) 2017 Investment Co., Ltd.	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Establishment
Xinhu (BVI) 2018 Holding Company Limited	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Establishment
Guanrui Investment Co., Ltd.	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Establishment
Taixin Holdings Co., Ltd.	Cayman Islands	Cayman Islands	Investment		100.00	Establishment
Tairong Holdings Co., Ltd.	Cayman Islands	Cayman Islands	Investment		100.00	Establishment
Guanhong Investment Co., Ltd.	Cayman Islands	Cayman Islands	Investment		100.00	Establishment
Guanli Investment Co., Ltd.	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Establishment
Guanying Investment Co., Ltd.	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Establishment
沈阳新湖房地产开发有限公司 (Shenyang Xinhu Real Estate Development Co., Ltd.*)	Shenyang	Shenyang	Real estate		100.00	Business combination under common control
苏州新湖置业有限公司 (Suzhou Xinhu Real Estate Co., Ltd.*)	Wujiang	Wujiang	Real estate		100.00	Business combination under common control
上海中瀚置业有限公司 (Shanghai Zhonghan Real Estate Co., Ltd.*)	Shanghai	Shanghai	Real estate	65.00		Business combination under common control

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Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
上海新湖房地产开发有限公司 (Shanghai Xinhu Real Estate Development Co., Ltd.*)	Shanghai	Shanghai	Real estate		63.00	Business combination under common control
Xinhu Real Estate Group Co., Ltd.	Hangzhou	Hangzhou	Real estate	100.00		Business combination under common control
杭州新湖美丽洲置业有限公司 (Hangzhou Xinhu Melizhou Real Estate Co., Ltd.*)	Hangzhou	Hangzhou	Real estate		100.00	Business combination under common control
衢州新湖房地产开发有限公司 (Quzhou Xinhu Real Estate Development Co., Ltd.*)	Quzhou	Quzhou	Real estate		100.00	Business combination under common control
绍兴百大房地产有限责任公司 (Shaoxing Baida Real Estate Co., Ltd.*)	Shaoxing	Shaoxing	Real estate	90.00	10.00	Business combination under common control
绍兴市红太阳物业管理有限公司 (Shaoxing Hongtaiyang Property Management Co., Ltd.*)	Shaoxing	Shaoxing	Property management	10.00	90.00	Business combination under common control
温州新湖房地产开发有限公司 (Wenzhou Xinhu Real Estate Development Co., Ltd.*)	Wenzhou	Wenzhou	Real estate	100.00		Business combination under common control
九江新湖远洲置业有限公司 (Jiujiang Xinhu Yuanzhou Real Estate Co., Ltd.*)	Jiujiang	Jiujiang	Real estate	50.00		Business combination under common control
浙江新兰得置业有限公司 (Zhejiang Xinlande Real Estate Co., Ltd.*)	Hangzhou	Hangzhou	Real estate		100.00	Business combination not under common control
浙江澳辰地产发展有限公司 (Zhejiang Aochen Real Estate Development Co., Ltd.*)	Lanxi	Lanxi	Real estate		100.00	Business combination not under common control
海南满天星旅业开发有限公司 (Hainan Mantianxing Tourism Development Co., Ltd.)	Sanya	Sanya	Tourism, real estate		50.50	Business combination not under common control
平阳县利得海涂围垦开发有限公司 (Pingyang Lide Tideland Reclamation and Development Co., Ltd.*)	Pingyang	Pingyang	Coastal development	51.00	29.00	Business combination not under common control
Fengning Chenglong Mining Co., Ltd.	Fengning	Fengning	Minerals investigation, purchase and sale	80.00		Business combination not under common control
浙江允升投资集团有限公司 (Zhejiang Yunsheng Investment Group Co., Ltd.*)	Jiaxing	Jiaxing	Industrial investment	100.00		Business combination not under common control
杭州大清谷旅游开发有限公司 (Hangzhou Daqing Valley Tourism Development Co., Ltd.*)	Hangzhou	Hangzhou	Tourism service		90.00	Business combination not under common control
嘉兴新国浩商贸有限公司 (Jiaxing Xinguohao Trading Co., Ltd.*)	Jiaxing	Jiaxing	Commercial trade		100.00	Business combination not under common control

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Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
杭州余杭财经投资有限公司 (Hangzhou Yuhang Financial Investment Co., Ltd.*)	Hangzhou	Hangzhou	Investment		100.00	Business combination not under common control
杭州鸬鸟旅游开发有限公司 (Hangzhou Luniao Tourism Development Co., Ltd.*)	Hangzhou	Hangzhou	Tourism resources development		100.00	Business combination not under common control
Total Partner Global Limited	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Others
Summit Idea Limited	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Others

(2) Other Remarks

1) Remarks on inconsistency between holding proportion and voting rights proportion in subsidiaries

As the Company holds 95% equity of Shanghai Rongzhe Investment Development Co., Ltd., which holds 100% equity of Rui'an Zhongbao Real Estate Co., Ltd., the Company holds 100% voting rights of Rui'an Zhongbao Real Estate Co., Ltd.

2) Basis for the control of an investee while holding its half or less than half voting rights, and the non-control of an investee while holding its more than half voting rights

As the Company holds 50% equity of Jiujiang Xinhu Yuanzhou Real Estate Co., Ltd., Nantong Xinhu Real Estate Co., Ltd. and Nantong Qiyang Construction Development Co., Ltd., respectively, and controls the composition of a majority of the board of directors of these three entities, the Company has control over these three entities.

2. Significant not wholly-owned subsidiaries Unit: ten thousand yuan

Subsidiaries	Holding proportion of non-controlling shareholders (%)	Non-controlling shareholders' profit or loss	Dividend declared to non-controlling shareholders	Closing balance of non-controlling interest
Jiaxing Xinhu CRED Real Estate Co., Ltd.	49.00	19,581.04	21,070.00	1,308.55
Shanghai Zhonghan Real Estate Co., Ltd.	35.00	-1,245.20		892.07
Yueqing Xinhu United Real Estate Co., Ltd.	35.00	-293.96		1,456.04

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3. Main financial information of significant not wholly-owned subsidiaries

(1) Assets and liabilities

Unit: ten thousand yuan

Subsidiaries	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Jiaxing Xinhu CRED Real Estate Co., Ltd.	38,416.31	3,312.78	41,729.09	39,058.58		39,058.58
Shanghai Zhonghan Real Estate Co., Ltd.	774,381.31	17,687.10	792,068.41	331,210.47	411,881.50	743,091.97
Yueqing Xinhu United Real Estate Co., Ltd.	162,906.57	379.46	163,286.03	159,125.92		159,125.92

(Continued)

Subsidiaries	December 31, 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Jiaxing Xinhu CRED Real Estate Co., Ltd.	243,846.47	12,233.28	256,079.75	238,418.30		238,418.30

(2) Profit or loss and cash flows

Unit: ten thousand yuan

Subsidiaries	Current period cumulative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Jiaxing Xinhu CRED Real Estate Co., Ltd.	251,071.02	39,961.30	39,961.30	19,017.08
Shanghai Zhonghan Real Estate Co., Ltd.	10,688.72	-7,145.44	-7,145.44	42,669.42
Yueqing Xinhu United Real Estate Co., Ltd.		-839.90	-839.90	-133,071.51

(Continued)

Subsidiaries	Preceding period cumulative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Jiaxing Xinhu CRED Real Estate Co., Ltd.	9,816.08	970.45	970.45	84,471.90

(II) Transactions resulting in changes in subsidiaries' equity but without losing control

1. Changes in subsidiaries' equity

Subsidiaries	Date of change	Holding proportion before change	Holding proportion after change
Shanghai Zhonghan Real Estate Co., Ltd.	4/21/2020	100%	65.00%
Shenyang Shenbei Jingu Real Estate Co., Ltd.	4/22/2020	100%	65.00%
Shenyang Xinhu Mingzhu Real Estate Co., Ltd.	4/22/2020	100%	65.00%
Nantong Qiyang Construction Development Co., Ltd.	5/13/2020	100%	50.00%
Nantong Xinhu Real Estate Co., Ltd.	6/28/2020	100%	50.00%
Jiujiang Xinhu Yuanzhou Real Estate Co., Ltd.	8/10/2020	100%	50.00%

2. Effect of transactions on non-controlling interest and equity attributable to parent company

Items	Shanghai Zhonghan Real Estate Co., Ltd.	浙江启丰实业有限公司 (Zhejiang Qifeng Industrial Co., Ltd.*) [Note]	Nantong Qiyang Construction Development Co., Ltd.	Nantong Xinhu Real Estate Co., Ltd.	Jiujiang Xinhu Yuanzhou Real Estate Co., Ltd.
Acquisition costs/ Disposal considerations					
Cash	517,372,740.78	186,313,820.00	139,546,288.07	71,547,370.00	1,000,000.00
Total acquisition costs/ disposal considerations	517,372,740.78	186,313,820.00	139,546,288.07	71,547,370.00	1,000,000.00
Less: Share in subsidiaries' net assets based on acquired/disposed net assets proportion	21,372,740.78	56,313,820.57	22,353,180.48	-13,837,050.81	1,000,000.00
Balance	496,000,000.00	129,999,999.43	117,193,107.59	85,384,420.81	
Including: Capital reserve adjusted	496,000,000.00	129,999,999.43	117,193,107.59	85,384,420.81	

Note: Zhejiang Qifeng Industrial Co., Ltd. holds 35% equity of Shenyang Shenbei Jingu Real Estate Co., Ltd. and Shenyang Xinhu Mingzhu Real Estate Co., Ltd. Therefore, when the 100% equity of Zhejiang Qifeng Industrial Co., Ltd. was disposed of during the period, 35% equity of Shenyang Shenbei Jingu Real Estate Co., Ltd. and Shenyang Xinhu Mingzhu Real Estate Co., Ltd. was disposed of at the same time.

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(III) Interest in joint venture or associates

1. Significant joint ventures or associates

(1) Basic information

Joint ventures or associates	Main operating place	Place of registration	Business nature	Holding proportion (%)		Accounting treatment
				Direct	Indirect	
Hangzhou Huxin Investment Co., Ltd.	Hangzhou	Hangzhou	Investment, planning and consulting	50.00		Equity method
Hangzhou Xinxiang Investment Management Co., Ltd.	Hangzhou	Hangzhou	Investment management, investment consulting, real estate		50.00	Equity method
Xinhu Holding Co., Ltd.	Hangzhou	Hangzhou	Industrial investment	48.00		Equity method
China CITIC Bank	Beijing	Beijing	Financial service		4.99	Equity method
Bank of Wenzhou Co., Ltd.	Wenzhou	Wenzhou	Financial service	10.81		Equity method
Jiangsu Xinhu Baohua Real Estate Co., Ltd.	Jurong	Jurong	Real estate	35.00		Equity method
Inner Mongolia Hehe Real Estate Co., Ltd.	Hohhot	Hohhot	Real estate development and selling	20.00		Equity method
Gansu Northwest Mining Group Co., Ltd.	Lanzhou	Lanzhou	Investment in nonferrous metals industry	34.40		Equity method
Xinhu Futures Co., Ltd.	Shanghai	Shanghai	Commodity, financial futures agency	7.67	22.00	Equity method
Enshi Yufeng Real Estate Development Co., Ltd.	Enshi	Enshi	Real estate		48.00	Equity method
Tongka Liancheng Network Technology Co., Ltd.	Hangzhou	Hangzhou	Computer information service	21.86		Equity method
Wind Information	Shanghai	Shanghai	Computer information service		6.67	Equity method
Hangzhou Hyperchain Technologies Co., Ltd.	Hangzhou	Hangzhou	Technology development consulting, computer information service		49.00	Equity method
Shanghai Qumei Information Technology Co., Ltd.	Shanghai	Shanghai	Technology development consulting, computer information service		19.02	Equity method
Hangzhou Harmony Cloud Technology Co., Ltd.	Hangzhou	Hangzhou	Technology development consulting, computer information service		9.95	Equity method
Bangsun Technology	Hangzhou	Hangzhou	Technology development consulting, computer information service		14.05	Equity method
ASIA PACIFIC EXCHANGE PTE LTD.	Singapore	Singapore	Financial service		20.00	Equity method
Qingdao Jingque Xinyuan Investment Partnership (LP)	Qingdao	Qingdao	Investment management, asset management		52.23	Equity method
Hangzhou Yixian Advanced Technology Co., Ltd.	Hangzhou	Hangzhou	Computer software technology development, consulting, software services, consulting		4.81	Equity method
Hangzhou Honghua Digital Technology Co., Ltd.	Hangzhou	Hangzhou	Computer plate making, digital printing		25.00	Equity method
Greentown China Holdings Limited	Hangzhou	Hangzhou	Real estate		12.68	Equity method

Joint ventures or associates	Main operating place	Place of registration	Business nature	Holding proportion (%)		Accounting treatment
				Direct	Indirect	
Xiangcai Co., Ltd.	Harbin	Harbin	Securities brokerage, securities underwriting and sponsorship, financial product agency sales, etc.	2.97		Equity method
Shanghai Huixin Medical Technology Co., Ltd.	Shanghai	Shanghai	Medical services, medical device production and operation, medical technology, technology development, etc.		30.42	Equity method
Hangzhou Yibaide Microelectronics Co., Ltd.	Hangzhou	Hangzhou	Technical service, development, and consulting; integrated circuit manufacturing, sales, design, technology import, etc.		30.00	Equity method
Nantong Qixin Real Estate Co., Ltd.	Qidong	Qidong	Real estate		50.00	Equity method
Zhejiang Qilong Industrial Co., Ltd.	Hangzhou	Hangzhou	Engineering investigation, engineering design and project management	50.00		Equity method
Hangzhou Xinzhe Business Management Co., Ltd.	Hangzhou	Hangzhou	Business services		49.00	Equity method
Zhejiang Xinhu Weiheng Enterprise Management Co., Ltd.	Hangzhou	Hangzhou	Business management and consulting		50.00	Equity method
Zhejiang Juchuang Intelligent Technology Co., Ltd.	Wenzhou	Wenzhou	Intelligent electronic products, intelligent system development and sales		29.51	Equity method

(2) Basis for significant influence over an entity on which the Company held less than 20% voting rights or insignificant influence over an entity on which the Company held more than 20% voting rights

The Company holds 10.81% equity of Bank of Wenzhou Co., Ltd. (“Bank of Wenzhou”), 4.99% equity of China CITIC Bank, 6.67% equity of Wind Information, 19.02% equity of Qumei Information, 9.95% equity of Hangzhou Harmony Cloud Technology Co., Ltd., 14.05% equity of Bangsun Technology, 4.81% equity of Hangzhou Yixian Advanced Technology Co., Ltd., and 12.68% equity of Greentown China Holdings Limited (“Greentown China”), respectively being the second largest shareholder, the second largest shareholder, the third largest shareholder, the second largest shareholder, the fourth largest shareholder, the second largest shareholder, the seventh largest shareholder and the third largest shareholder of these eight companies, and has already dispatched directors. Therefore, the Company has a significant influence on these eight companies. The Company’s associate Xinhu Holding Co., Ltd. became the controlling shareholder of Xiangcai Co., Ltd. in the current period, therefore, the Company has a significant influence on Xiangcai Co., Ltd.

(3) Basis for insignificant influence over an entity on which the Company held more than 50%

voting rights

The voting right proportion of the Company over Qingdao Jingque Xinyuan Investment Partnership (LP) is 52.23%. Pursuant to the partnership agreement, proceedings at the Partners' Meeting should be approved by more than two thirds of partners who actually pay contribution. Therefore, the Company doesn't have control over such entity, and relevant investment is accounted for under equity method.

2. Main financial information of significant associates Unit: ten thousand yuan

Items	Closing balance/Current period cumulative			
	Xinhu Holding Co., Ltd.	Greentown China	Bank of Wenzhou	China CITIC Bank
Current assets	3,607,792.70	36,907,249.40	[Note 1]	[Note 1]
Non-current assets	272,062.18	4,520,935.40		
Total assets	3,879,854.88	41,428,184.80	28,718,261.30	751,116,100.00
Current liabilities	2,839,619.12	23,821,390.20		
Non-current liabilities	243,650.00	9,147,787.30		
Total liabilities	3,083,269.12	32,969,177.50	27,146,743.60	695,112,300.00
Non-controlling interest	414,639.78	3,174,860.80		1,546,500.00
Equity attributable to owners of parent company	381,945.98	5,284,146.50	1,571,517.70	54,457,300.00
Proportionate share in net assets	183,334.06	669,871.85	169,824.93	2,722,325.27
Adjustments	9,926.43	-271,143.18	206.01	-390,337.61
Goodwill	25,811.64		206.01	
Unrealized profit in internal trading	-15,885.21			
Others		-271,143.18 [Note 2]		-390,337.61 [Note 3]
Carrying amount of investments in associates	193,260.49	398,728.68	170,030.94	2,331,987.66
Fair value of equity investments in associates in association with quoted price		301,775.12		677,369.70
Operating revenue	559,152.20	6,578,253.10	423,401.04	19,473,100.00
Net profit	-12,991.29	379,644.70	15,940.74	4,898,000.00
Net profit of discontinued operations				
Other comprehensive income	1,529.99	3,262.60	-3,587.46	-725,200.00
Total comprehensive income	-11,461.30	382,907.30	12,353.28	4,172,800.00
Dividend from associates received in the current period		9,690.00		58,465.73

(Continued)

Items	Opening balance/Preceding period cumulative			
	Xinhu Holding Co., Ltd.	Greentown China	Bank of Wenzhou	China CITIC Bank
Current assets	3,198,899.39		[Note 1]	[Note 1]
Non-current assets	189,906.95			
Total assets	3,388,806.34		23,047,193.99	675,043,300.00
Current liabilities	2,206,589.12			

Items	Opening balance/Preceding period cumulative			
	Xinhu Holding Co., Ltd.	Greentown China	Bank of Wenzhou	China CITIC Bank
Non-current liabilities	575,739.53			
Total liabilities	2,782,328.65		21,745,529.57	621,790,900.00
Non-controlling interest	188,079.58			1,521,300.00
Equity attributable to owners of parent company	418,398.10		1,301,664.42	51,731,100.00
Proportionate share in net assets	200,831.09		236,269.49	2,586,042.29
Adjustments	15,184.09		206.01	-390,337.61
Goodwill	25,811.64		206.01	
Unrealized profit in internal trading	-10,627.55			
Others				-390,337.61 [Note 3]
Carrying amount of investments in associates	216,015.18		236,475.50	2,195,704.68
Fair value of equity investments in associates in association with quoted price				1,023,344.23
Operating revenue	410,767.78		423,071.21	18,758,400.00
Net profit	-22,507.81		69,293.43	4,801,500.00
Net profit of discontinued operations				
Other comprehensive income	-1,793.13		9,659.46	209,200.00
Total comprehensive income	-24,300.94		78,952.89	5,010,700.00
Dividend from associates received in the current period				56,264.10

Note 1: As Bank of Wenzhou and China CITIC Bank belong to the financial industry, and their assets and liabilities in financial statements are not classified by liquidity, assets and liabilities are presented in total amount.

Note 2: They are the perpetual bonds of Greentown China and the difference between the fair value of net identifiable assets and the carrying amount of net assets of Greentown China that are not attributable to the Company.

Note 3: They are the preferred shares, convertible bond and perpetual bonds of China CITIC Bank and the difference between fair value of net identifiable assets and the carrying amount of net assets of China CITIC Bank that are not attributable to the Company.

3. Aggregated financial information of insignificant joint ventures and associates

Unit: ten thousand yuan

Items	Closing balance/ Current period cumulative	Opening balance/ Preceding period comparative
Joint ventures		
Total carrying amount of investments	131,252.94	
Proportionate shares in the following items		

Items	Closing balance/ Current period cumulative	Opening balance/ Preceding period comparative
Net profit	-3,775.16	
Other comprehensive income		
Total comprehensive income	-3,775.16	
Associates		
Total carrying amount of investments	661,795.25	573,546.75
Proportionate shares in the following items		
Net profit	29,552.08	24,208.92
Other comprehensive income	-6,100.50	315.29
Total comprehensive income	23,451.58	24,524.21

VIII. Risks related to financial instruments

The Company aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance, so as to maximize the profits of shareholders and other equity investors. Based on such risk management objectives, the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits on a timely and reliable basis.

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. Management have deliberated and approved policies concerning such risks, and details are:

(I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

1. Credit risk management practice

(1) Evaluation method of credit risk

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When assessing whether the credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, which is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating, and forward-looking information. The Company determines the changes in default risk of financial instruments during the estimated lifetime through comparison of the default risk at the balance sheet date and the initial recognition date, on an individual basis or a collective basis.

The Company considers the credit risk on a financial instrument has increased significantly when one or more of the following qualitative and quantitative standards are met:

1) Quantitative standard mainly relates to the scenario in which, at the balance sheet date, the probability of default in the remaining lifetime has risen by more than a certain percentage compared with the initial recognition;

2) Qualitative standard mainly relates to significant adverse changes in the debtor's operation or financial position, present or expected changes in technology, market, economy or legal environment that will have significant adverse impact on the debtor's repayment ability;

(2) Definition of default and credit-impaired asset

A financial asset is credit-impaired when one or more following events have occurred:

1) significant financial difficulty of the debtor;

2) a breach of binding clause of contract;

3) it is very likely that the debtor will enter bankruptcy or other financial reorganization;

4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor would not otherwise consider.

2. Measurement of expected credit losses

The key factors in the measurement of expected credit loss include the probability of default, loss rate of default, and exposure to default risk. The Company develops a model of the probability of default, loss rate of default, and exposure to default risk on the basis of quantitative analysis of historical data (e.g. counterparty rating, guarantee measures and collateral type, payment method, etc.) and forward-looking information.

3. Please refer to section V (I) 4, 6 for details on the reconciliation table of opening balance and closing balance of provision for losses of financial instrument.

4. Exposure to credit risk and concentration of credit risk

The Company's credit risk is primarily attributable to cash and bank balances and receivables. In order to control such risks, the Company has taken the following measures:

(1) Cash and bank balances

The Company deposits its bank balances and other cash and bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

(2) Receivables

The Company performs credit assessment on customers who uses credit settlement on a continuous basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on receivables, to avoid significant risks in bad debts.

As the Company's credit risks fall into several business partners and customers, as of December 31, 2020, 66.36% (December 31, 2019: 83.49%) of the total accounts receivable was due from the five largest customers of the Company. The Company has no significant central credit risk.

The maximum amount of exposure to credit risk of the Company is the carrying amount of each financial asset at the balance sheet.

(II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company utilized financing tools such as notes settlement, bank borrowings, etc. and adopts long and short financing methods to optimizing financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

Financial liabilities classified based on remaining time period till maturity

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within one year	1-3 years	Over 3 years
Financing institution borrowings	38,847,837,916.93	43,598,692,360.54	11,637,899,452.37	22,726,866,092.25	9,233,926,815.92
Notes payable	642,416,000.00	642,416,000.00	642,416,000.00		
Accounts payable	3,489,031,617.48	3,489,031,617.48	3,489,031,617.48		
Other payables	11,182,864,325.75	11,182,864,325.75	11,182,864,325.75		
Bonds payable	15,112,913,143.63	16,892,783,985.64	8,120,088,866.94	7,908,325,255.69	864,369,863.01
Subtotal	69,275,063,003.79	75,805,788,289.41	35,072,300,262.54	30,635,191,347.94	10,098,296,678.93

(Continued)

Items	Opening balance				
	Carrying amount	Contract amount not yet discounted	Within one year	1-3 years	Over 3 years
Financing institution borrowings	53,984,910,364.02	64,181,408,450.06	17,162,445,331.95	26,445,472,436.80	20,573,490,681.31
Notes payable	432,363,905.00	432,363,905.00	432,363,905.00		
Accounts payable	3,197,714,791.31	3,197,714,791.31	3,197,714,791.31		
Other payables	4,751,021,670.57	4,751,021,670.57	4,751,021,670.57		
Bonds payable	23,139,003,759.10	26,051,051,266.33	10,666,636,970.59	13,610,295,802.59	1,774,118,493.15
Subtotal	85,505,014,490.00	98,613,560,083.27	36,210,182,669.42	40,055,768,239.39	22,347,609,174.46

(III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market price. Market risk mainly includes interest rate risk and foreign exchange risk.

1. Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market interest. The Company's fair value interest risks arise from fixed-rate financial instruments, while the cash flow interest risks arise from floating interest financial instruments. The Company determines the proportion of fixed-rate financial instruments and floating interest rate financial instruments based on the market environment, and maintains a proper financial instruments portfolio through regular review and monitoring. The Company's interest risk relates mainly to bank borrowings with floating interest rate.

As of December 31, 2020, balance of borrowings with interest accrued at floating interest rate totaled 24,054,391,709.75 yuan (December 31, 2019: 36,625,879,390.65 yuan). If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's gross profit and equity will be affected in part.

2. Foreign currency risk

Foreign currency risk is the risk arising from changes in fair value or future cash flows of financial instrument resulted from changes in exchange rate. The Company's foreign currency risk relates mainly to foreign currency monetary assets and liabilities. When short-term imbalance occurred to foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary and reasonably use forward settlement, swaps and other instruments to hedge risks, in order to maintain the net risk exposure within an acceptable level.

Please refer to section V (IV) 2 of notes to financial statements for details in foreign currency financial assets and liabilities at the end of the period.

IX. Fair value disclosure

(I) Details of fair value of assets and liabilities at fair value at the balance sheet date

Items	Fair value as of the balance sheet date			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement				
1. Held-for-trading financial assets and other non-current financial assets	1,226,405,971.75	2,503,806,119.71	5,953,756,730.55	9,683,968,822.01
(1) Financial assets classified as at fair value through profit or loss	1,226,405,971.75	2,503,806,119.71	5,953,756,730.55	9,683,968,822.01
Debt instrument investments			1,306,161,616.16	1,306,161,616.16
Equity instrument investments	1,126,475,240.79	139,092,881.61	4,647,595,114.39	5,913,163,236.79
Fund and asset management plan	99,930,730.96	2,364,713,238.10		2,464,643,969.06
2. Other equity instrument investments		1,712,664,177.23	2,002,269,411.00	3,714,933,588.23
Total assets at recurring fair value measurement	1,226,405,971.75	4,216,470,296.94	7,956,026,141.55	13,398,902,410.24

(II) Basis for determining level 1 fair value at recurring and non-recurring fair measurement

There are quoted prices for the Company's assets and liabilities at fair value in active markets.

(III) Qualitative and quantitative information of valuation technique(s) and key input(s) for level 2 fair value at recurring and non-recurring fair measurement

It is determined by unit net value presented in the asset management plan provided by fund management companies.

(IV) Qualitative and quantitative information of valuation technique(s) and key input(s) for level 3 fair value at recurring and non-recurring fair measurement

The financial instruments at level 3 fair value are mainly unlisted equity investments held by the Company and its subsidiaries. The Company and its subsidiaries use valuation techniques to determine fair value of significant investments.

X. Related party relationships and transactions

(I) Related party relationships

1. Parent company

(1) Details

Parent company	Place of registration	Business nature	Registered capital	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
浙江新湖集团股份有限公司 (Zhejiang Xinhu Group Co., Ltd.*)	Hangzhou	Investment & development including energy and agriculture	377,383,300.00	40.05	40.23

Remarks on the parent company

Zhejiang Xinhu Group Co., Ltd. directly holds 32.41% equity of the Company, and indirectly holds 2.44% equity of the Company through its subsidiary 浙江恒兴力控股集团有限公司 (Zhejiang Hengxingli Holding Group Co., Ltd.*) with holding proportion of 95.02%, as well as 5.38% equity of the Company through its subsidiary 宁波嘉源实业发展有限公司 (Ningbo Jiayuan Industrial Development Co., Ltd.*) with holding proportion of 99%. 黄伟 (Huang Wei) directly holds 16.86% equity of the Company, 53.06% equity of Zhejiang Xinhu Group Co., Ltd. and 1% equity of Ningbo Jiayuan Industrial Development Co., Ltd. Therefore, Huang Wei directly and indirectly holds 38.16% equity of the Company.

(2) The Company's ultimate controlling party is Huang Wei.

2. Please refer notes to interest in other entities for details on the Company's subsidiaries.

3. Joint ventures and associates of the Company

* *The English names are for identification purpose only.*

Please refer notes to interest in other entities for details on the Company's joint ventures and associates.

4. Other related parties of the Company

Related parties	Relationships with the Company
Jiaxing Nanhu International Experimental School	Running by the second-tier subsidiary Jiaxing Nanhu International Education Investment Co., Ltd. under BOT
Jiaxing Senior High School	Running by the second-tier subsidiary Jiaxing Nanhu International Education Investment Co., Ltd. under BOT
Jiaxing Xiuzhou Modern Experimental School	Running by the second-tier subsidiary Jiaxing Nanhu International Education Investment Co., Ltd. under BOT
湘财证券股份有限公司 (Xiangcai Securities Co., Ltd.*)	Holding subsidiary of the parent company
上海新湖绿城物业服务有限公司（Shanghai Xinhu Greentown Property Service Co., Ltd.*)	Holding subsidiary of the parent company
浙江新湖绿城物业服务有限公司（Zhejiang Xinhu Greentown Property Service Co., Ltd.*)	Holding subsidiary of the parent company
衢州新湖绿城物业服务有限公司（Quzhou Xinhu Greentown Property Service Co., Ltd.*)	Holding subsidiary of the parent company
沈阳新湖绿城物业服务有限公司（Shenyang Xinhu Greentown Property Service Co., Ltd.*)	Holding subsidiary of the parent company
Ningbo Jiayuan Industrial Development Co., Ltd.	Shareholder, and an affiliated company of the parent company
Zhejiang Hengxingli Holding Group Co., Ltd.	Shareholder, and an affiliated company of the parent company
哈高科绥棱二塑防水工程有限公司 (Harbin Hi-Tech Suiling Second Plastic Waterproofing Engineering Co., Ltd.*)	Holding subsidiary of the parent company
黑龙江省哈高科营养食品有限公司 (Heilongjiang Harbin Hi-Tech Nutritious Food Co., Ltd.*)	Holding subsidiary of the parent company
杭州新湖绿城生活服务有限公司(Hangzhou Xinhu Greentown Life Services Co., Ltd.*)	Holding subsidiary of the parent company
中信银行（国际）有限公司（China CITIC Bank International Co., Ltd.*)	Holding subsidiary of the Company's associate
信銀(香港)資本有限公司（CNCB (Hong Kong) Capital Limited*)	Holding subsidiary of the Company's associate
李萍（Li Ping)	Spouse of the ultimate controller Huang Wei
浙江新绿商业经营管理有限公司（Zhejiang Xinlv Business Management Co., Ltd.*)	Holding subsidiary of the parent company
绿城装饰工程集团有限公司（Greentown Decoration Engineering Group Co., Ltd.*)	Subsidiary of the Company's associate
浙江绿城建筑幕墙工程有限公司（Zhejiang Greentown Construction Curtain Engineering Co., Ltd.*)	Sub-subsidiary of the Company's associate
绿城理想生活服务集团有限公司（Greentown Lixiang Life Services Group Co., Ltd.*)	Subsidiary of the Company's associate

* *The English names are for identification purpose only.*

Related parties	Relationships with the Company
浙江绿城家居发展有限公司 (Zhejiang Greentown Home Development Co., Ltd.*)	Sub-subsidiary of the Company's associate
绿城房屋科技有限公司 (Greentown House Technology Co., Ltd.*)	Sub-subsidiary of the Company's associate
浙江新湖慈善基金会 (Zhejiang Xinhu Foundation*)	Jointly-funded by the Company and the parent company

(II) Related party transactions

1. Purchase and sale of goods, rendering and receiving of services

(1) Purchase of goods and receiving of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Zhejiang Xinhu Greentown Property Service Co., Ltd.	Property services	15,044,491.20	17,051,077.99
Shanghai Xinhu Greentown Property Service Co., Ltd.	Property services	71,663,567.08	76,634,612.03
Quzhou Xinhu Greentown Property Service Co., Ltd.	Property services	8,033,493.40	4,251,375.47
Shenyang Xinhu Greentown Property Service Co., Ltd.	Property services	6,552,695.54	5,538,622.63
Harbin Hi-Tech Suiling Second Plastic Waterproofing Engineering Co., Ltd.	Waterproof engineering	5,619,593.81	14,959,182.42
Heilongjiang Harbin Hi-Tech Nutritious Food Co., Ltd.	Grain and oil payment, medical masks	1,320,171.67	189,383.08
Zhejiang Xinlv Business Management Co., Ltd.	Property services	1,100,770.30	
Hangzhou Xinhu Greentown Life Services Co., Ltd.	Services and food payment	87,140.99	
Greentown Decoration Engineering Group Co., Ltd.	Decoration engineering	4,458,282.41	
Zhejiang Greentown Construction Curtain Engineering Co., Ltd.	Door and window project	460,069.62	
Greentown Lixiang Life Services Group Co., Ltd.	Intelligent devices and information technical services	149,419.20	

(2) Sale of goods and rendering of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Jiangsu Xinhu Baohua Real Estate Co., Ltd.	Engineering and marketing service charges	4,683,018.85	12,767,581.09
	Elevators		2,994,010.27
Hangzhou Xinhu Greentown Life Services Co., Ltd.	Sale of goods		22,491,533.55

* *The English names are for identification purpose only.*

2. Related party leases

(1) The Company as the lessor

Lessees	Types of assets leased	Lease income for current period	Lease income for the preceding period
Shanghai Xinhu Greentown Property Service Co., Ltd.	Parking lots	1,565,812.64	666,899.60
Jiangsu Xinhu Baohua Real Estate Co., Ltd.	Vehicles	207,079.63	339,777.24

(2) The Company as the lessee

Lessors	Types of assets leased	Lease expenses for current period	Lease expenses for the preceding period
Zhejiang Xinhu Greentown Property Service Co., Ltd.	Real estate	494,131.96	546,085.45
Shanghai Xinhu Greentown Property Service Co., Ltd.	Real estate	88,379.19	56,603.77

3. Related party guarantees

(1) The Company and its subsidiaries as guarantors

Guaranteed parties	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
Zhejiang Xinhu Group Co., Ltd.	149,000,000.00	2/11/2020	2/10/2021	No
Zhejiang Xinhu Group Co., Ltd.	51,000,000.00	5/15/2020	5/14/2021	No
Zhejiang Xinhu Group Co., Ltd.	250,000,000.00	7/9/2020	7/9/2021	No
Zhejiang Xinhu Group Co., Ltd.	250,000,000.00	2/24/2020	2/24/2021	No
Zhejiang Xinhu Group Co., Ltd.	400,000,000.00	8/26/2019	8/23/2021	No
Zhejiang Xinhu Group Co., Ltd.	200,000,000.00	9/16/2020	9/14/2021	No
Zhejiang Xinhu Group Co., Ltd.	100,000,000.00	11/23/2020	11/23/2021	No
Zhejiang Xinhu Group Co., Ltd.	100,000,000.00	7/17/2020	7/16/2021	No
Zhejiang Xinhu Group Co., Ltd.	125,000,000.00	10/12/2020	10/11/2021	No
Zhejiang Xinhu Group Co., Ltd.	55,000,000.00	5/21/2020	5/20/2021	No
Zhejiang Xinhu Group Co., Ltd.	200,000,000.00	8/26/2020	6/17/2021	No
Zhejiang Xinhu Group Co., Ltd.	1,200,000,000.00	10/22/2020	10/20/2021	No
Zhejiang Xinhu Group Co., Ltd.	280,000,000.00	8/6/2020	8/1/2021	No
Nantong Qixin Real Estate Co., Ltd.	350,000,000.00	8/30/2019	9/18/2021	No
Nantong Qixin Real Estate Co., Ltd.	700,000,000.00	8/11/2020	8/10/2023	No
Shanghai Yalong Gucheng Real Estate Development Co., Ltd.	1,328,800,000.00	3/29/2018	8/10/2027	No
Jiaxing Nanhu International Experimental School	14,500,000.00	2/27/2019	2/27/2022	No
Jiaxing Nanhu International Experimental School	7,000,000.00	3/26/2020	3/25/2021	No
Jiaxing Xiuzhou Modern Experimental School	14,000,000.00	2/28/2019	6/27/2021	No
Jiaxing Xiuzhou Modern Experimental School	14,000,000.00	4/1/2020	3/31/2021	No
Subtotal	5,788,300,000.00			

(2) The Company and its subsidiaries as guaranteed parties

Guarantors	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
Zhejiang Xinhu Group Co., Ltd.	50,000,000.00	5/9/2020	5/8/2021	No
Zhejiang Xinhu Group Co., Ltd.	25,000,000.00	12/25/2020	6/24/2021	No
Zhejiang Xinhu Group Co., Ltd. and Huang Wei	500,000,000.00	10/19/2020	10/19/2022	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	70,000,000.00	2/21/2020	2/20/2021	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	150,000,000.00	3/24/2020	3/24/2021	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	80,000,000.00	6/9/2020	6/8/2021	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	200,000,000.00	6/12/2020	6/11/2021	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	50,000,000.00	7/7/2020	1/8/2021	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	300,000,000.00	7/29/2020	7/29/2021	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	150,000,000.00	9/11/2020	9/11/2021	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	200,000,000.00	9/29/2020	9/29/2021	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	25,000,000.00	10/21/2020	6/30/2021	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	49,000,000.00	10/29/2020	6/30/2021	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	100,000,000.00	12/3/2020	12/2/2021	No
Xinhu Holding Co., Ltd.	145,000,000.00	8/28/2020	8/21/2023	No
Xinhu Holding Co., Ltd., Huang Wei, and Li Ping	17,000,000.00	7/29/2020	7/28/2021	No
Xinhu Holding Co., Ltd., Huang Wei, and Li Ping	60,000,000.00	9/28/2020	9/27/2021	No
Xinhu Holding Co., Ltd., Huang Wei, and Li Ping	135,000,000.00	4/23/2020	4/21/2021	No
Greentown Real Estate Group Co., Ltd.	350,000,000.00	9/9/2020	9/2/2023	No
Greentown Real Estate Group Co., Ltd.	550,000,000.00	10/29/2020	9/21/2023	No
Greentown Real Estate Group Co., Ltd.	500,000,000.00	12/7/2020	12/1/2023	No
Huang Wei and Li Ping	13,000,000.00	10/15/2020	10/14/2021	No
Huang Wei and Li Ping	13,200,000.00	4/3/2020	4/2/2021	No
Huang Wei and Li Ping	480,000,000.00	10/12/2017	4/10/2022	No
Huang Wei and Li Ping	528,000,000.00	6/29/2018	6/28/2021	No
Huang Wei and Li Ping	395,000,000.00	9/14/2018	9/16/2021	No
Huang Wei and Li Ping	414,000,000.00	9/29/2018	12/20/2021	No
Huang Wei and Li Ping	720,000,000.00	11/9/2018	11/8/2021	No
Huang Wei and Li Ping	285,000,000.00	1/11/2019	1/9/2024	No
Huang Wei and Li Ping	725,000,000.00	4/24/2019	4/23/2022	No
Huang Wei and Li Ping	790,000,000.00	9/30/2019	9/29/2022	No
Huang Wei and Li Ping	1,600,000,000.00	11/22/2019	11/22/2021	No
Huang Wei and Li Ping	450,000,000.00	1/2/2020	12/15/2024	No
Huang Wei and Li Ping	417,773,000.00	4/10/2020	3/25/2023	No
Huang Wei and Li Ping	225,000,000.00	7/30/2020	6/15/2025	No
Huang Wei and Li Ping	279,000,000.00	8/14/2020	8/7/2023	No

Guarantors	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
Huang Wei and Li Ping	492,500,000.00	10/27/2020	10/22/2021	No
Huang Wei and Li Ping	200,000,000.00	10/30/2020	10/29/2023	No
Huang Wei and Li Ping	40,670,000.00	12/3/2020	12/2/2021	No
Huang Wei and Li Ping	16,300,000.00	12/25/2020	12/24/2021	No
Nantong Qixin Real Estate Co., Ltd., Huang Wei and Li Ping	800,000,000.00	7/29/2019	7/28/2021	No
Huang Wei	502,500,000.00	1/17/2020	1/17/2021	No
Huang Wei	170,000,000.00	4/15/2020	4/15/2021	No
Huang Wei	510,000,000.00	8/27/2020	8/27/2021	No
Huang Wei	90,000,000.00	9/1/2020	8/27/2021	No
Subtotal	13,862,943,000.00			

4. Call loans between related parties

(1) Call loans from related parties

Related parties	Borrowing	Repayment
Jiaxing Senior High School	26,000,000.00	41,000,000.00
Jiaxing Xiuzhou Modern Experimental School	49,000,000.00	54,000,000.00
Jiaxing Nanhu International Experimental School	30,000,000.00	50,500,000.00
Zhejiang Hengxingli Holding Group Co., Ltd.	500,000,000.00	500,000,000.00
Jiangsu Xinhu Baohua Real Estate Co., Ltd.	100,000,000.00	27,493,433.33
Nantong Qixin Real Estate Co., Ltd.	4,735,634.00	2,000,000.00
Greentown Real Estate Group Co., Ltd.	289,700,000.00	505,817,025.02
Subtotal	999,435,634.00	1,180,810,458.35

(2) Call loans to related parties

Related parties	Lending	Calling in
Hangzhou Xinzhe Business Management Co., Ltd.	8,000,000.00	
Gansu Northwest Mining Group Co., Ltd.	48,000,000.00	48,000,000.00
Enshi Yufeng Real Estate Development Co., Ltd.	22,220,000.00	122,111,643.92
Xinhu Holding Co., Ltd.	170,000,000.00	170,000,000.00
Nantong Qixin Real Estate Co., Ltd.	230,100,000.00	573,428,097.61
Zhejiang Qilong Industrial Co., Ltd.	1,000.00	
Greentown Real Estate Group Co., Ltd.	87,850,000.00	
Hangzhou Yibaide Microelectronics Co., Ltd.	3,000,000.00	
Zhejiang Xinhu Weiheng Enterprise Management Co., Ltd.	1,000.00	500.00
Subtotal	569,172,000.00	913,540,241.53

5. Borrowings from related parties

Related parties	Content of transaction	Interest rate	Closing balance/ Current period cumulative	December 31, 2019/ Preceding period comparative
Shengjing Bank	Bank borrowings	[Note 1]		263,160,000.00
Shengjing Bank	Interest	[Note 1]	10,727,902.86	35,823,050.87
Bank of Wenzhou	Bank borrowings	[Note 2]	1,317,000,000.00	1,570,000,000.00
Bank of Wenzhou	Interest	[Note 2]	104,898,181.36	123,406,679.38
China CITIC Bank	Bank borrowings	[Note 3]	2,560,976,000.00	8,837,010,000.00
China CITIC Bank	Interest	[Note 3]	570,459,585.67	379,216,180.15

Note 1: Interest rate of the borrowings provided by Shengjing Bank is set among interest rate range published by the People's Bank of China.

Note 2: Interest rate of the borrowings provided by Bank of Wenzhou is set among interest rate range published by the People's Bank of China.

Note 3: Interest rate of the borrowings provided by China CITIC Bank is set among interest rate range published by the People's Bank of China.

6. Transactions with key management

Emoluments and transactions

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	8,000,000.00	5,680,000.00
Sales and purchase of commodity houses and parking lots	10,198,664.76	6,496,967.62
Earnest money to purchase houses	7,200,000.00	
Contract liabilities	14,828,572.50	
Advances received		7,431,850.00

7. Other related party transactions

(1) Pursuant to the "Equity Transfer Agreement" entered into among the subsidiaries Zhejiang Xinhu Zhinao Investment Management Partnership (LP), Zhejiang Zhixin Technology Co., Ltd. and Zhejiang Xinhu Venture Investment Co., Ltd., Zhejiang Xinhu Zhinao Investment Management Partnership (LP) acquired 15% equity of Hangzhou Yibaide Microelectronics Co., Ltd. that held by Zhejiang Xinhu Venture Investment Co., Ltd. at the consideration of 75,000,000.00 yuan, and Zhejiang Zhixin Technology Co., Ltd. acquired 15% equity of Hangzhou Yibaide Microelectronics Co., Ltd. at the consideration of 75,000,000.00 yuan as well. As of the balance sheet date, the equity transfer has been completed and such change has been registered at

administration for industry and commerce.

(2) Pursuant to the resolution deliberated and approved by the 10th meeting and the 18th meeting of the 10th session of the Board of Directors, the Company entered into the "Agreement on Acquisition of Assets of Xiangcai Securities Co., Ltd. Through Issuing Shares" with 哈尔滨高科技（集团）股份有限公司 (Harbin Hi-Tech (Group) Co., Ltd.*, hereinafter referred to as "Harbin Hi-Tech"), and Harbin Hi-Tech would acquire shares of Xiangcai Securities Co., Ltd. that held by the Company and Xinhu Holding Co., Ltd. at the consideration of 381,288,613.46 yuan and 7,884,852,543.80 yuan through issuing 79,435,127 shares and 1,642,677,613 shares, respectively. As of the date of report, the change of shares has been registered at 中国证券登记结算公司 (China Securities Depositary and Clearing Corporation Limited*, hereinafter referred to as "CSDCC"), and the transaction has been completed.

(3) Pursuant to the resolution deliberated and approved by the 23rd meeting of the 10th session of the Board of Directors, the subsidiaries Zhejiang Xinhu Zhinao Investment Management Partnership (LP) and Zhejiang Zhixin Technology Co., Ltd. entered into the "Equity Transfer Agreement" with Zhejiang Xinhu Group Co., Ltd and Zhejiang Xinhu Venture Investment Co., Ltd. Zhejiang Xinhu Zhinao Investment Management Partnership (LP) acquired 17% equity of Shanghai Huixin Medical Technology Co., Ltd. that held by Zhejiang Xinhu Group Co., Ltd. and Zhejiang Xinhu Venture Investment Co., Ltd. at the consideration of 68.85 million yuan, and Zhejiang Zhixin Technology Co., Ltd. acquired 17% equity of Shanghai Huixin Medical Technology Co., Ltd. at the consideration of 68.85 million yuan as well. As of the balance sheet date, the equity transfer has been completed and such change has been registered at administration for industry and commerce.

(4) Pursuant to the "Equity Transfer Agreement" entered into among the subsidiaries Zhejiang Xinhu Zhinao Investment Management Partnership (LP), Zhejiang Zhixin Technology Co., Ltd. and Xinhu Holding Co., Ltd., Zhejiang Xinhu Zhinao Investment Management Partnership (LP) acquired 15% equity of Zhejiang Juchuang Intelligent Technology Co., Ltd. that held by Xinhu Holding Co., Ltd. at the consideration of 75,000,000.00 yuan, and Zhejiang Zhixin Technology Co., Ltd. acquired 15% equity of Zhejiang Juchuang Intelligent Technology Co., Ltd. at the consideration of 75,000,000.00 yuan as well. As of the balance sheet date, the equity transfer has been completed and such change has been registered at administration for industry and commerce.

(5) In the current period, interest received from Shengjing Bank amounted to 1,122,036.32 yuan, which was at the deposit interest rate published by the People's Bank of China.

(6) At the end of the period, balance of the Company's cash deposited in Bank of Wenzhou amounted to 312,823,503.05 yuan, and interest received in the current period amounted to 5,064,265.72 yuan, which was at the deposit interest rate published by the People's Bank of

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China.

(7) At the end of the period, balance of the Company's cash deposited in China CITIC Bank amounted to 3,048,065,469.52 yuan, and interest received in the current period amounted to 85,867,898.86 yuan, which was at the deposit interest rate published by the People's Bank of China.

(8) In the current period, the offshore bond underwriting fee incurred with CNCB (Hong Kong) Capital Limited totaled USD 1.03 million and 5.42 million yuan, and the offshore bond underwriting fee incurred with China CITIC Bank International Co., Ltd. totaled USD 450,000.00.

(9) In the current period, the revenue of close position arising from forward settlement and sales and foreign exchange option business in China CITIC Bank amounted to 206,421,030.00 yuan, and there was 40,002,400.00 yuan undue at the end of the period.

(10) In the current period, the Company had investment loss amounting to USD 2,122,926.05 due to interest rate swap business in China CITIC Bank.

(11) In the current period, guarantee fees for the guarantee business incurred between the Company and Greentown Real Estate Group Co., Ltd. totaled 16,037,735.84 yuan.

(12) In the current period, the amount that the Company donated to Zhejiang Xinhu Foundation totaled 29,541,720.00 yuan.

(III) Balance due to or from related parties

1. Balance due from related parties

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Advances paid					
	Shanghai Xinhu Greentown Property Service Co., Ltd.	1,814,512.40		118,722.67	
	Shenyang Xinhu Greentown Property Service Co., Ltd.			2,759,187.97	
Subtotal		1,814,512.40		2,877,910.64	
Other receivables					
	Gansu Northwest Mining Group Co., Ltd.	50,794,094.90		47,586,046.82	
	Enshi Yufeng Real Estate Development Co., Ltd.	37,314,175.25		131,036,146.98	
	Xinhu Holding Co., Ltd.	3,051,812,569.40		2,856,640,555.52	
	Hangzhou Huxin Investment Co., Ltd.	1,200.00		1,200.00	
	Hangzhou Xinzhe Business Management Co., Ltd.	8,000,000.00			
	Nantong Qixin Real Estate Co., Ltd.	282,402,749.37			
	Greentown Real Estate Group Co., Ltd.	87,850,000.00			

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Hangzhou Yibaide Microelectronics Co., Ltd.	3,000,000.00			
	Shanghai Yalong Gucheng Real Estate Development Co., Ltd.	1,049,803,419.40			
	Zhejiang Xinhu Weiheng Enterprise Management Co., Ltd.	500.00			
	Zhejiang Qilong Industrial Co., Ltd.	1,000.00			
	China CITIC Bank (forward settlement and sales)	40,002,400.00			
Subtotal		4,610,982,108.32		3,035,263,949.32	

2. Balance due to related parties

Items	Related parties	Closing balance	Opening balance
Accounts payable			
	Zhejiang Xinhu Greentown Property Service Co., Ltd.	941,404.00	271,980.00
	Harbin Hi-Tech Suiling Second Plastic Waterproofing Engineering Co., Ltd.	3,402,809.98	4,347,942.64
	Shanghai Xinhu Greentown Property Service Co., Ltd.	5,769,305.36	4,728,885.33
	Quzhou Xinhu Greentown Property Service Co., Ltd.		60,000.00
	Heilongjiang Harbin Hi-Tech Nutritious Food Co., Ltd.	55,000.00	
	Greentown Decoration Engineering Group Co., Ltd.	288,804.25	
	Greentown Lixiang Life Services Group Co., Ltd.	162,372.00	
	Zhejiang Greentown Construction Curtain Engineering Co., Ltd.	0.89	
Subtotal		10,619,696.48	9,408,807.97
Advances paid			
	Jiangsu Xinhu Baohua Real Estate Co., Ltd.	69,026.56	138,053.09
Subtotal		69,026.56	138,053.09
Other payables			
	Inner Mongolia Hehe Real Estate Co., Ltd.	6,000,000.00	6,000,000.00
	Jiaxing Xiuzhou Modern Experimental School	42,270,429.00	49,470,912.06
	Jiaxing Senior High School	8,899,632.76	9,786,617.61
	Jiaxing Nanhu International Experimental School	18,095,966.12	42,173,623.30

Items	Related parties	Closing balance	Opening balance
	Harbin Hi-Tech Suiling Second Plastic Waterproofing Engineering Co., Ltd.	365,391.68	514,873.95
	Jiangsu Xinhu Baohua Real Estate Co., Ltd.	108,118,681.71	37,219,146.53
	Shanghai Xinhu Greentown Property Service Co., Ltd.	200,000.00	200,000.00
	Greentown Real Estate Group Co., Ltd.	5,478,696,483.18	
	Greentown Decoration Engineering Group Co., Ltd.	1,029,132.35	
	Zhejiang Greentown Construction Curtain Engineering Co., Ltd.	1,001,475.90	
	Greentown House Technology Co., Ltd.	50,000.00	
	Xinhu Holding Co., Ltd.	60,000,000.00	
	Nantong Qixin Real Estate Co., Ltd.	2,735,634.00	
Subtotal		5,727,462,826.70	145,365,173.45

(IV) Related party commitments

Under the deliberation and approval of the 41st meeting of the ninth session of the Board of Directors, the Company intends to increase investment of 1.23 billion yuan into Hangzhou Hyperchain Technologies Co., Ltd. in the form of capital increase and equity transfer, after which, the Company will hold 49% equity in total. As of the balance sheet date, such change has been registered at administration for industry and commerce. Investment obligation to be performed amounted to 164.15 million yuan in accordance with the contract.

XI. Commitments and contingencies

(I) Significant commitments

1. The commitment about the major asset restructuring of Harbin Hi-Tech (currently renamed as Xiangcai Co., Ltd.)

(1) The shares privately issued by Harbin Hi-Tech that acquired by the Company would not be transferred within 36 months since the completion of this private placement.

(2) Shares increased due to dividend distribution, bonus shares, allotment of shares and conversion of capital reserve would not be transferred within 36 months since the completion of this private placement as well.

(3) If the commitment about lock-up period made by the Company does not conform to opinions of securities regulatory authorities, the Company would modify the commitment based on the opinions of securities regulatory authorities.

2. The commitment about the application for initial public offering of shares (“IPO”) from

Hangzhou Honghua Digital Technology Co., Ltd. (hereinafter referred to as "Honghua Digital") If the application of IPO is approved and the shares are listed successfully, the shares of Honghua held by the Company before IPO would not be transferred or managed by others under entrustment or repurchased by Honghua Digital within 12 months since the shares listed on STAR Market.

3. As of the balance sheet date, the contracting contract that has been signed and under implementation totaled 16.32 billion yuan, of which, 10.75 billion yuan has been paid, and 5.57 billion yuan has not yet been paid. The Company made payment according to the contract as well as the completion status.

4. Please refer to section X (IV) of notes to financial statements for details on related party commitments.

(II) Contingencies

Contingent liabilities incurred by providing debt guarantees for other entities and the financial effect

1. Please refer to notes to related party transactions for details on guarantees provided by the Company to related parties.

2. Guarantees provided by the Company and its subsidiaries to non-related parties

As of December 31, 2020, the balance of guarantee provided by the Company's real estate subsidiaries to property buyers totaled 6.977 billion yuan.

XII. Events after the balance sheet date

(I) Profit distribution after the balance sheet date

Pursuant to the profit distribution plan of 2020 deliberated and approved by the Board of Directors dated April 28, 2021, the Company intends to distribute cash dividend of 0.56 yuan (tax included) per 10 shares to all shareholders, based on the total registered shares. The profit distribution plan is to be deliberated by the general shareholders' meeting.

(II) Issuing of bonds

Pursuant to the resolution deliberated and approved by the second meeting of the tenth session of the Board of Directors and the second extraordinary shareholders' meeting of 2018, the Company intends to issue corporate bonds not exceeding 7.50 billion yuan (inclusive). On February 9, 2021, the Company completed to issue bonds totaling 1.00 billion yuan, with term of 4 years and coupon rate of 7.60%.

(III) Stock incentive compensation

Pursuant to the resolution deliberated and approved by the 32nd meeting of the tenth session of the Board of Directors, the Company intends to grant stock options of 379.90 million pieces, of which the subject is RMB ordinary A shares, accounting for 4.42% of the Company's total shares

(8,599,343,536 shares) at the date of signing this stock incentive plan. Stock options of 359.90 million pieces would be granted first (accounting for 4.19% of 8,599,343,536 shares), and 20 million pieces would be reserved (accounting for 0.23% of 8,599,343,536 shares, and 5.26% of total stock options).

XIII. Other significant events

(I) Segment information

1. Identification basis and accounting policies for reportable segments

Reportable segments are identified according to the structure of the Company's internal organization, management requirements and internal reporting system, and based on industry segments. Assets and liabilities are shared by different segments, of which the allocation among the segments cannot be conducted in a reasonable approach, hence, total amount of assets and liabilities of each reportable segment cannot be disclosed.

2. Financial information of reportable segments

Industry segment

Items	Real estate	Commercial trade	Shoal development	Others	Inter-segment offsetting	Total
Revenue from main operations	10,390,767,769.54	4,370,621,803.30	66,841,428.65	181,018,236.29	1,285,199,177.44	13,724,050,060.34
Cost of main operations	6,268,203,361.99	4,363,316,383.12	135,338,122.92	157,746,033.25	1,256,535,116.16	9,668,068,785.12

(II) Other significant transactions and events that may be influential for investors in decision-making

1. Pursuant to the resolution deliberated and approved by the second meeting of the tenth session of the Board of Directors and the second extraordinary shareholders' meeting of 2018, the Company intends to issue corporate bonds not exceeding 7.50 billion yuan (inclusive). In the current period, the Company completed to issue bonds totaling 820 million yuan, with term of 4 years and coupon rate of 7.90%.

2. Pursuant to the resolutions deliberated and approved by the third meeting and the seventh meeting of the tenth session of the Board of Directors, the Company intends to repurchase its shares in the form of centralized bidding. The repurchasing amount shall be neither less than 600 million yuan, nor exceeding 1.2 billion yuan, and the repurchasing price shall not be exceeding 4.5 yuan per share. The repurchasing amount of treasury shares for maintaining the Company's value and shareholders' interest totaled 300 million yuan, while the rest repurchased shares were used for equity incentive. As of the date of report, the Company has repurchased a total of 165,454,236 shares in the form of centralized bidding, accounting for 1.92% of total shares. The highest transaction price is 4.40 yuan per share, while the lowest price is 2.86 yuan per share, and the transaction amount totals 600,096,800 yuan. The Company has completed the repurchase plan.

3. Pursuant to the resolution deliberated and approved by the 13th meeting of the tenth session of

the Board of Directors and the third extraordinary shareholders' meeting of 2019, and based on the "Registration Certificate of Foreign Debt Borrowed by Enterprises" (Fa Gai Ban Wai Zi Bei [2019] 599) issued by the National Development and Reform Commission in August 2019, the Company is eligible to issue foreign currency bonds not exceeding USD 500 million (equivalent) overseas. During the reporting period, the Company has issued bonds totaling USD 287 million overseas, of which, bonds in amount of USD 200 million have a term of 3 years with coupon rate of 11%; the remaining USD 87 million have a term of 35 months with coupon rate of 4.3%.

4. Pursuant to the "Agreement on the Equity Transfer and Project Development Cooperation of Zhejiang Qifeng Industrial Co., Ltd." entered into between the Company and Greentown Real Estate Group Co., Ltd. (hereinafter referred to as "Greentown Real Estate"), Greentown Real Estate acquired 100% equity of Zhejiang Qifeng Industrial Co., Ltd. and corresponding rights and interests held by the Company, thereby indirectly holding 35% equity of Shenyang Shenbei Jingu Real Estate Co., Ltd. and 35% equity of Shenyang Xinhu Mingzhu Real Estate Co., Ltd. The total transaction price was 378,813,820 yuan, of which, the equity transfer price was 186,313,820 yuan.

5. Pursuant to the "Agreement on Equity Transfer and Project Development Cooperation of 浙江启智实业有限公司 (Zhejiang Qizhi Industrial Co., Ltd.*)" entered into between the Company and Greentown Real Estate, Greentown Real Estate acquired equity of Zhejiang Qizhi Industrial Co., Ltd. and corresponding rights and interests that held by the Company, thereby indirectly holding 50% equity of Nantong Qixin Real Estate Co., Ltd. and 50% equity of Nantong Qiyang Construction Development Co., Ltd. The total transaction price was 1,151,318,860 yuan, of which, the equity transfer price was 397,718,860 yuan.

6. Pursuant to the "Agreement on Equity Transfer and Project Development Cooperation of Nantong Xinhu Real Estate Co., Ltd." entered into between the Company and Greentown Real Estate, Greentown Real Estate acquired equity of Nantong Xinhu Real Estate Co., Ltd. and corresponding rights and interests that held by the Company. The total transaction price was 672,397,370 yuan, of which, the equity transfer price was 71,547,370 yuan.

7. Pursuant to the "Agreement on Equity Transfer and Project Development Cooperation of Shanghai Zhonghan Real Estate Co., Ltd." entered into between the Company and Greentown Real Estate, Greentown Real Estate acquired the equity of Shanghai Zhonghan Real Estate Co., Ltd. and the corresponding rights and interests that held by the Company. The total transaction price was 1.90 billion yuan, of which, the equity transfer price was 517,372,740.78 yuan.

8. Pursuant to the "Proposal on Subscribing for H Shares of Greentown China Holdings Limited" deliberated and approved by the 20th meeting of the tenth session of the Board of Directors and the second extraordinary shareholders' meeting of 2020, the Company subscribed for Greentown China's H shares totaling 323 million shares at a price of HKD 9.50 per share, with total

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subscription amount of HKD 3.0685 billion. The transaction was completed on May 26, 2020. After the transaction, the Company held Greentown China's H shares of 323 million shares, accounting for 12.95% of the total shares of Greentown China.

9. Pursuant to the resolution deliberated and approved by the 28th meeting of the tenth session of the Board of Directors, the Company intends to participate the rights issue of Bank of Wenzhou with the price of 2.95 yuan per share and the subscription amount not exceeding 170 million yuan. In the end, the Company subscribed 38,806,397 shares, and the subscription amount totaled 114,478,871.15 yuan. On December 25, 2020, the equity transfer was completed and registered at administration for industry and commerce.

10. Pursuant to the resolution deliberated and approved by the 30th meeting of the tenth session of the Board of Directors and the sixth extraordinary shareholders' meeting of 2020, the Company signed the "Agreement on Equity Transfer and Project Development Cooperation of Zhejiang Qilong Industrial Co., Ltd." with 融创中国控股有限公司 (Sunac China Holdings Limited. *, hereinafter referred to as "Sunac China") and its wholly-owned subsidiary Shanghai Haoxuan Business Management Co., Ltd. (hereinafter referred to as "Haoxuan Company"). Haoxuan Company was to acquire 50% equity of Zhejiang Qilong Industrial Co., Ltd. and corresponding rights and interests that held by the Company. The total transaction price was 3.8 billion yuan, of which, the equity transfer price was 1.128 billion yuan. As of the date of report, the Company has received the equity transfer payments of 789.60 million yuan and completed the procedures for registration of industrial and commercial change.

11. Pursuant to the resolution deliberated and approved by the 30th meeting of the tenth session of the Board of Directors, the Company signed the "Agreement on Equity Transfer and Project Development Cooperation of Zhejiang Qihui Industrial Co., Ltd." with Sunac China and its wholly-owned subsidiary 上海甚鹏企业管理有限公司 (Shanghai Shenpeng Business Management Co., Ltd.*, hereinafter referred to as "Shenpeng Company"). Shenpeng Company was to acquire 35% equity of Zhejiang Qihui Industrial Co., Ltd. and corresponding rights and interests that held by the Company. The total transaction price was 1,143,500,000.00 yuan, of which, the equity transfer price was 3.50 million yuan. In the current period, the Company has received all the equity transfer payments and completed the procedures for registration of industrial and commercial change.

12. As of the balance sheet date, the Company's largest shareholder Zhejiang Xinhu Group Co., Ltd., the actual controller Mr. Huang Wei, the third largest shareholder Ningbo Jiayuan Industrial Development Co., Ltd., and the fifth largest shareholder Zhejiang Hengxingli Holding Group Co., Ltd. have pledged 1,713,817,747 shares, 1,132,670,140 shares, 346,870,000 shares, and 192,400,000 shares of the Company, respectively.

* *The English names are for identification purpose only.*

XIV. Notes to items of parent company financial statements

(I) Notes to items of parent company balance sheet

1. Accounts receivable

(1) Details

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	2,602,568.42	100.00			2,602,568.42
Total	2,602,568.42	100.00			2,602,568.42

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	478,896.02	100.00			478,896.02
Total	478,896.02	100.00			478,896.02

2) Accounts receivable with provision for bad debts made on a collective basis

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with balances due from related parties within the consolidation scope	2,602,538.40		
Portfolio grouped with overdue ages	30.02		
Subtotal	2,602,568.42		

(2) Details on ages

Items	Closing book balance
Within 1 year	2,602,568.42
Total	2,602,568.42

(3) Details of the top 5 debtors with largest balances

Closing balance of top 5 debtors totaled 2,602,568.42 yuan, accounting for 100.00% of the total closing balance of accounts receivable, with no provision made.

2. Other receivables

(1) Details

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	15,230,296,451.15	100.00	7,035,735.72	0.05	15,223,260,715.43
Total	15,230,296,451.15	100.00	7,035,735.72	0.05	15,223,260,715.43

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	18,083,013,814.45	100.00	6,001,519.98	0.03	18,077,012,294.47
Total	18,083,013,814.45	100.00	6,001,519.98	0.03	18,077,012,294.47

2) Other receivables with provision made on a collective basis

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio of dividend receivable	65,951,259.00		
Portfolio of low risk	15,139,842,525.49		
Portfolio grouped with ages	24,502,666.66	7,035,735.72	28.71
Including: Within 1 year	18,181,750.05	727,270.01	4.00
1-2 years	6,917.01	553.36	8.00
2-3 years	7,609.06	1,521.81	20.00
Over 5 years	6,306,390.54	6,306,390.54	100.00
Subtotal	15,230,296,451.15	7,035,735.72	0.05

(2) Details on ages

Items	Closing book balance
Within 1 year	8,400,006,989.81
1-2 years	4,698,618,341.63
2-3 years	2,039,268,559.13
3-5 years	28,674,617.59

Items	Closing book balance
Over 5 years	63,727,942.99
Total	15,230,296,451.15

(3) Changes in provision for bad debts

Items	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	4,925.41	5,996,594.57		6,001,519.98
Opening balance in the current period				
--Transferred to phase II	-608.72	608.72		
--Transferred to phase III				
--Reversed to phase II				
--Reversed to phase I				
Provision made in the current period	723,506.68	310,709.06		1,034,215.74
Provision recovered in the current period				
Provision reversed in the current period				
Provision written off in the current period				
Other changes				
Closing balance	727,823.37	6,307,912.35		7,035,735.72

(4) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Dividend receivable	65,951,259.00	319,800,000.00
Security deposits	29,591.95	24,591.95
Current accounts	13,865,347,417.49	14,739,659,189.78
Equity transfer and debt assignment payment	1,234,492,708.00	3,017,132,708.05
Temporary advance payment receivable	902,576.25	967,324.67
Others	63,572,898.46	5,430,000.00
Total	15,230,296,451.15	18,083,013,814.45

(5) Details on dividend receivable

Items	Closing balance	Opening balance
Shanghai Zhonghan Real Estate Co., Ltd.		300,000,000.00
Wenzhou Xinhu Real Estate Development Co., Ltd.	15,951,259.00	19,800,000.00
Xinhu Real Estate Group Co., Ltd.	50,000,000.00	

Items	Closing balance	Opening balance
Subtotal	65,951,259.00	319,800,000.00

(6) Details of the top 5 debtors with largest balances

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Xinhu Holding Co., Ltd.	Current accounts	3,051,812,569.40	0-3 years	20.04	
Zhejiang Zhixin Technology Co., Ltd.	Current accounts	1,498,258,140.16	Within 1 year	9.84	
Shanghai Tuoyi Investment Management Co., Ltd.	Current accounts	1,089,110,837.15	0-3 years	7.15	
Yiwu North (Tianjin) International Trade City Co., Ltd.	Current accounts	979,538,582.00	0-2 years	6.43	
Zhejiang Xinhu Zhinao Investment Management Partnership (LP)	Current accounts	839,990,769.23	0-3 years	5.52	
Subtotal		7,458,710,897.94		48.98	

3. Long-term equity investments

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	5,212,365,840.57		5,212,365,840.57	5,417,880,901.30		5,417,880,901.30
Investments in associates and joint ventures	5,002,933,531.56		5,002,933,531.56	7,367,835,221.80		7,367,835,221.80
Total	10,215,299,372.13		10,215,299,372.13	12,785,716,123.10		12,785,716,123.10

(2) Investments in subsidiaries

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in the current period	Closing balance of provision for impairment
Shanghai Zhonghan Real Estate Co., Ltd.	256,676,000.00		89,836,600.00	166,839,400.00		
Xinhu Real Estate Group Co., Ltd.	2,020,792,733.83			2,020,792,733.83		
Jiujiang Xinhu Yuanzhou Real Estate Co., Ltd.	18,556,921.45		9,278,460.73	9,278,460.72		
Zhejiang Yunsheng Investment Group Co., Ltd.	401,473,476.79			401,473,476.79		
Fengning Chenglong Mining Co., Ltd.	130,000,000.00			130,000,000.00		
Shaoxing Baida Real Estate Co., Ltd.	4,500,000.00			4,500,000.00		
Shaoxing Hongtaiyang Property Management Co., Ltd.	50,000.00			50,000.00		
Wenzhou Xinhu Real Estate Development Co., Ltd.	52,612,313.13			52,612,313.13		

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in the current period	Closing balance of provision for impairment
Qidong Xinhu Investment & Development Co., Ltd.	75,000,000.00			75,000,000.00		
Jiaxing Xinhu CRED Real Estate Co., Ltd.	76,500,000.00		66,300,000.00	10,200,000.00		
Tianjin Xinhu Zhongbao Investment Co., Ltd.	30,000,000.00		30,000,000.00			
Pingyang Lide Tideland Reclamation and Development Co., Ltd.	1,110,000,000.00			1,110,000,000.00		
Hong Kong Xinhu Investment Co., Ltd.	73,519,454.10			73,519,454.10		
Xinhu Entertainment Co., Ltd.	49,000,002.00			49,000,002.00		
Guizhou Xinhu Energy Co., Ltd.	50,000,000.00			50,000,000.00		
Pingyang Weicheng Real Estate Co., Ltd.	5,100,000.00		5,100,000.00			
Zhoushan Xinhu Real Estate Co., Ltd.	34,000,000.00			34,000,000.00		
Pingyang Baorui Real Estate Co., Ltd.	5,100,000.00			5,100,000.00		
Shanghai Tuoyi Investment Management Co., Ltd.	10,000,000.00			10,000,000.00		
Zhejiang Xinhu Financial Information Service Co., Ltd.	1,000,000,000.00			1,000,000,000.00		
Zhejiang Xinhu Zhinao Investment Management Partnership (LP)	5,000,000.00		5,000,000.00			
Zhejiang Zhixin Technology Co., Ltd.	10,000,000.00			10,000,000.00		
Subtotal	5,417,880,901.30		205,515,060.73	5,212,365,840.57		

(3) Investments in associates and joint ventures

Investees	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Joint ventures					
Hangzhou Huxin Investment Co., Ltd.					
Zhejiang Qilong Industrial Co., Ltd.		50,000,000.00		-7,822,239.84	
Subtotal		50,000,000.00		-7,822,239.84	
Associates					
Xinhu Holding Co., Ltd.	2,160,151,826.16			-114,934,880.20	7,343,945.13
Inner Mongolia Hehe Real Estate Co., Ltd.	18,844,779.78			183,474.92	
Shengjing Bank	2,711,622,377.64			122,580,129.51	-59,895,377.33
Gansu Northwest Mining Group Co., Ltd.	679,684,105.44			-3,945,716.03	
Bank of Wenzhou	1,561,558,407.35	114,478,871.15		28,934,577.19	-6,511,714.33
Jiangsu Xinhu Baohua Real Estate Co., Ltd.	135,015,945.04			14,051,092.19	
Tongka Liancheng Network Technology Co., Ltd.	39,119,411.85			-4,544,002.48	

Investees	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Xinhu Futures Co., Ltd.	61,838,368.54			4,690,943.96	-26,151.06
Xiangcai Co., Ltd.				10,851,472.66	534,329.07
Subtotal	7,367,835,221.80	114,478,871.15		57,867,091.72	-58,554,968.52
Total	7,367,835,221.80	164,478,871.15		50,044,851.88	-58,554,968.52

(Continued)

Investees	Increase/Decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/ Profit declared for distribution	Provision for impairment	Others		
Joint ventures						
Hangzhou Huxin Investment Co., Ltd.						
Zhejiang Qilong Industrial Co., Ltd.				-23,146,700.49	19,031,059.67	
Subtotal				-23,146,700.49	19,031,059.67	
Associates						
Xinhu Holding Co., Ltd.	-119,955,946.30				1,932,604,944.79	
Inner Mongolia Hehe Real Estate Co., Ltd.					19,028,254.70	
Shengjing Bank				-2,774,307,129.82		
Gansu Northwest Mining Group Co., Ltd.					675,738,389.41	
Bank of Wenzhou	1,849,238.71				1,700,309,380.07	
Jiangsu Xinhu Baohua Real Estate Co., Ltd.					149,067,037.23	
Tongka Liancheng Network Technology Co., Ltd.					34,575,409.37	
Xinhu Futures Co., Ltd.					66,503,161.44	
Xiangcai Co., Ltd.	13,401,479.69			381,288,613.46	406,075,894.88	
Subtotal	-104,705,227.90			-2,393,018,516.36	4,983,902,471.89	
Total	-104,705,227.90			-2,416,165,216.85	5,002,933,531.56	

(II) Notes to items of the parent company income statement

1. Operating revenue/Operating cost

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	2,863,302,565.75	2,857,414,935.36	2,536,284,293.34	2,529,287,886.71
Other operations	6,050,617.10	2,373,668.20	5,925,457.97	2,374,130.20
Total	2,869,353,182.85	2,859,788,603.56	2,542,209,751.31	2,531,662,016.91

2. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	50,044,851.88	366,182,075.17
Investment income from long-term equity investments under cost method	1,219,300,000.00	832,440,000.00
Gains on disposal of long-term equity investments	1,926,290,360.05	425,000,000.00
Loss on conversion of long-term equity investments under equity method to financial assets at fair value	-1,830,775,955.56	
Investment income from financial instruments	51,207,418.56	52,811,461.17
Including: Financial assets classified as at fair value through profit or loss	51,207,418.56	52,811,461.17
Gains on disposal of financial instruments	204,977,536.69	971,190.38
Including: Financial assets classified as at fair value through profit or loss	204,977,536.69	971,190.38
Interest income from investment	884,286,585.47	1,475,426,578.08
Total	2,505,330,797.09	3,152,831,304.80

XV. Other supplementary information

(I) Non-recurring profit or loss

1. Schedule of non-recurring profit or loss

Items	Amount	Remarks
Gains on disposal of non-current assets, including write-off of provision for impairment	1,441,384,129.80	
Tax refund, credit or exemption approved beyond the power of authorities, without formal documents, or with occasionality		
Government grants included in profit or loss (excluding those closely related to operating activities of the Company, satisfying government policies and regulations, and continuously enjoyed with certain quantity/quota based on certain standards)	7,839,105.65	
Fund possession charge from non-financial entities and included in profit or loss	211,372,149.29	
Gains on acquisition of subsidiaries, joint ventures and associates due to the surplus of acquisition-date fair value of net identifiable assets in acquiree over the acquisition cost	1,043,466,748.76	
Gains on non-cash assets exchange		
Gains on assets consigned to the third party for investment or management		
Assets impairment loss incurred due to force majeure such as natural disasters		
Gains on debt restructuring		
Entity restructuring expenses, such as staffing and integrating expenses		
Gains on transactions with unfair value		

Items	Amount	Remarks
Net profit on subsidiaries acquired through business combination under common control from the beginning of the period to the combination date		
Contingent gains on non-operating activities		
Gains on changes in fair value of financial assets and liabilities at fair value through profit or loss and investment income from disposal of financial assets and liabilities at fair value through profit or loss, and available-for-sale financial assets, excluding those arising from hedging business related to operating activities	51,734,409.66	
The reversed provision for impairment of receivables based on impairment testing on an individual basis		
Gains on designated loans		
Gains on changes in fair value of investment properties with subsequent measurement at the fair value mode		
Gains on reconciliation of current period profit or loss following legal and regulative requirements on taxation, accounting, etc.		
Management charges for consigned operations		
Other non-operating revenue or expenditures	-41,028,512.56	
Other profit or loss satisfying the definition of non-recurring profit or loss	-483,527,375.71	
Subtotal	2,231,240,654.89	
Less: Enterprise income tax affected	-7,607,583.82	
Non-controlling interest affected (after tax)	-1,934,711.91	
Net non-recurring profit or loss attributable to shareholders of the parent company	2,240,782,950.62	

(II) RONA and EPS

1. Details

Profit of the reporting period	Weighted average RONA (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	8.85	0.38	0.38
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	2.58	0.11	0.11

2. Calculation process of weighted average RONA

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	3,164,500,005.56
Non-recurring profit or loss	B	2,240,782,950.62
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	923,717,054.94

Items		Symbols	Current period cumulative
Opening balance of net assets attributable to shareholders of ordinary shares		D	33,629,005,090.56
Net assets attributable to shareholders of ordinary shares increased due to offering of new shares or conversion of debts into shares		E	
Number of months counting from the next month when the net assets were increased to the end of the reporting period		F	
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation		G1	103,386,653.47
Number of months counting from the next month when the net assets were decreased to the end of the reporting period		H1	11
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation		G2	84,338,893.00
Number of months counting from the next month when the net assets were decreased to the end of the reporting period		H2	6
Others	Net assets attributable to shareholders of ordinary shares increased or decreased due to other transactions or events	I	1,231,421,569.19
	Number of months counting from the next month when other net assets were increased or decreased to the end of the reporting period	J	
Number of months in the reporting period		K	12
Weighted average net assets		L= D+A/2+ E×F/K-G×H/K±I×J/K	35,742,107,362.70
Weighted average RONA		M=A/L	8.85%
Weighted average RONA after deducting non-recurring profit or loss		N=C/L	2.58%

3. Calculation process of basic EPS and diluted EPS

(1) Calculation process of basic EPS

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	3,164,500,005.56
Non-recurring profit or loss	B	2,240,782,950.62
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	923,717,054.94
Opening balance of total shares	D	8,460,113,400
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E	
Number of shares increased due to offering of new shares or conversion of debts into shares	F	

Items	Symbols	Current period cumulative
Number of months counting from the next month when the share was increased to the end of the reporting period	G	
Number of shares decreased due to share repurchase	H	26,224,100
Number of months counting from the next month when the share was decreased to the end of the reporting period	I	11
Number of shares decreased in the reporting period	J	
Number of months in the reporting period	K	12
Weighted average of outstanding ordinary shares	L=D+E+F×G/K-H ×I/K-J	8,436,074,642
Basic EPS	M=A/L	0.38
Basic EPS after deducting non-recurring profit or loss	N=C/L	0.11

(2) Calculation process of diluted EPS

Calculation process of diluted EPS is the same as that of basic EPS.

新湖中宝股份有限公司

Xinhu Zhongbao Co., Ltd.

April 28, 2021

Auditor's Report

PCCPAAR [2020] No.3998

To the Shareholders of Xinhu Zhongbao Co., Ltd:

I. Audit Opinion

We have audited the accompanying financial statements of Xinhu Zhongbao Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2019, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

II. Basis for Audit Opinion

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

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

(I) Recognition of revenue from real estate sales

1. Key audit matters

Revenue from real estate sales was 12,040 million yuan in 2019, accounting for 81.29% of the total operating revenue. Please refer to section III (XXV) of the notes to financial statements for details of revenue recognition principles. As revenue from real estate sales is one of the key performance indicators, which is significant for the current period financial statements, we consider revenue from real estate sales as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for revenue recognition are as follows:

(1) We obtained understanding of the design and execution of the internal controls involved in recognition of revenue from real estate sales, and tested the effectiveness of those internal controls;

(2) We selected samples from the record of operating revenue, and checked the supporting documents of revenue recognition including purchase contracts, invoices, bank slips, notices of delivery and signed list of households;

(3) We performed random inspection and stocktaking on the real estate reaching delivery conditions but not yet delivered;

(4) We performed cut-off test on revenue recognized before and after the balance sheet date, selected samples from the record of operating revenue, and checked whether the sales were recognized in proper accounting period; and

(5) We obtained progress of opening and presales of each housing project, and checked the preselling licenses, purchase contracts and receipts. On the other hand, we obtained understandings of the market prices of similar buildings near the project we checked, and compared them with the selling prices of the Company.

(II) Pricing and allocation of inventories

1. Key audit matters

As of December 31, 2019, the closing balance of inventories of real estate was 68,715 million yuan, accounting for 47.71% of the total closing balance of assets. Please refer to section III (XI) of the notes to financial statements for details of accounting policies on inventory pricing and allocation. Accounting of real estate business involves a lot of aggregation, allocation and estimation, which involves significant estimation and judgement of the Company's Management (the "Management"). As inventories account for a great proportion of the total closing balance of assets, we consider inventory pricing and allocation as key audit matters.

2. Responsive audit procedures

Our main audit procedures for pricing and allocation of inventories are as follows:

(1) We obtained understanding of the design and execution of the internal controls about inventory accounting, and tested the effectiveness of those internal controls;

(2) We checked Contracts for State-Owned Construction Land Use Right Assignment, licenses and documents about building projects, book-keepings of real estate development, and important contracts and settlement slips. Besides that, we obtained understandings of the real estate development projects, reviewed aggregation and allocation of the actual costs of development;

(3) We checked documents about acceptance of construction and area measurement report, and reviewed total cost of development and calculating table of unit cost for each project; and

(4) According to sale area of each project and the unit cost we reviewed, we recalculated the operating cost to test its accuracy.

(III) Equity investments

1. Key audit matters

As of December 31, 2019, the carrying amount of long-term equity investments, other equity investments and other non-current financial assets totaled 45,673 million yuan, accounting for 31.71% of the total closing balance of assets.

As the classification and accounting of equity investments involve significant judgement of the Management, which may cast great influence on the financial statements, we consider equity investments as key audit matters.

2. Responsive audit procedures

Our main audit procedures for classification and accounting of equity investments are as follows:

(1) We obtained understanding of the design and execution of the internal controls related to equity investments, and tested the effectiveness of the operation of those internal controls;

(2) We checked investment contracts, the Articles of Association, partnership agreements, organizational structures and the information about assignment of key executives to understand the purpose of investments, and we also reviewed the accounting record to check the classification and accounting methods of equity investments;

(3) We obtained the financial statements as of the balance sheet date or auditor's report thereon of investees. As for some investees under equity method, based on the financial statements and other information, we reviewed the profit and loss adjustments under equity method; and

(4) We reviewed the calculation process of provision for impairment of equity investments.

IV. Other Information

The Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements

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

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

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

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

天健会计师事务所（特殊普通合伙）

Pan-China Certified Public Accountants LLP
Hangzhou · China

Chinese Certified Public Accountant 许松飞
(Engagement Partner)

许松飞印

Chinese Certified Public Accountant 景彩子

景彩子印

Date of Report: April 28, 2020

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Xinhu Zhongbao Co., Ltd.
Consolidated balance sheet as at December 31, 2019
(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2018
Current assets:			
Cash and bank balances	1	14,690,206,376.51	16,017,984,803.11
Settlement funds			
Loans to other banks			
Held-for-trading financial assets	2	1,944,633,509.35	
Financial assets at fair value through profit or loss			1,482,809,748.76
Derivative financial assets			
Notes receivable	3		
Accounts receivable	4	45,265,866.29	841,815,640.49
Receivables financing			
Advances paid	5	215,397,376.89	201,364,928.44
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Other receivables	6	6,881,205,663.88	2,846,715,086.66
Financial assets under reverse repo			
Inventories	7	68,717,245,368.72	70,354,014,762.07
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year	8	27,800,000.00	20,676,000.00
Other current assets	9	1,322,958,930.63	1,087,719,860.63
Total current assets		93,844,713,092.27	92,853,100,830.16
Non-current assets:			
Loans and advances paid			
Debt investments			
Available-for-sale financial assets			9,698,952,470.46
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	10	34,929,043,511.51	31,930,137,364.06
Other equity instrument investments	11	2,343,017,940.64	
Other non-current financial assets	12	8,400,632,122.95	
Investment property	13	1,738,337,752.47	1,066,802,705.21
Fixed assets	14	518,804,159.37	514,530,304.73
Construction in progress	15	13,530,383.08	695,910.86
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	16	144,726,096.16	147,369,493.69
Development expenditures	17	880,763,162.77	872,887,475.27
Goodwill			
Long-term prepayments	18	24,804,878.25	22,904,044.34
Deferred tax assets	19	1,161,841,143.22	759,763,842.40
Other non-current assets	20	31,806,562.61	1,730,560,668.75
Total non-current assets		50,187,307,713.03	46,744,604,279.77
Total assets		144,032,020,805.30	139,597,705,109.93

Xinhu Zhongbao Co., Ltd.
Consolidated balance sheet as at December 31, 2019 (continued)
(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	December 31, 2018
Current liabilities:			
Short-term borrowings	21	3,959,937,053.22	2,941,084,000.00
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	22	432,363,905.00	110,000,000.00
Accounts payable	23	3,197,714,791.31	2,014,218,064.83
Advances received	24	18,560,218,260.37	16,356,983,240.66
Contract liabilities			
Financial liabilities under repo			
Absorbing deposit and interbank deposit			
Deposit for agency security transaction			
Deposit for agency security underwriting			
Employee benefits payable	25	30,786,502.51	22,035,486.17
Taxes and rates payable	26	1,939,008,597.88	1,892,942,245.87
Other payables	27	4,752,808,897.67	2,594,545,482.09
Handling fee and commission payable			
Reinsurance accounts payable			
Liabilities classified as held for sale			
Non-current liabilities due within one year	28	18,744,115,900.31	16,580,842,380.22
Other current liabilities	29	3,389,635,592.36	1,858,755,156.02
Total current liabilities		55,006,589,500.63	44,371,406,055.86
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings	30	35,543,834,301.87	40,448,810,942.80
Bonds payable	31	13,795,209,454.02	17,800,081,947.57
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions	32	60,000,000.00	60,000,000.00
Deferred income	33	170,435,214.22	257,796,574.58
Deferred tax liabilities	19	67,005.23	7,122,584.62
Other non-current liabilities	34	4,292,400,000.00	2,539,420,443.12
Total non-current liabilities		53,861,945,975.34	61,113,232,492.69
Total liabilities		108,868,535,475.97	105,484,638,548.55
Equity:			
Share capital	35	8,599,343,536.00	8,599,343,536.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	36	7,593,062,406.22	7,961,905,707.63
Less: Treasury shares	37	496,710,118.89	
Other comprehensive income	38	130,008,669.56	-245,475,760.40
Special reserve			
Surplus reserve	39	1,185,552,642.96	1,113,518,576.12
General risk reserve			
Undistributed profit	40	17,423,654,242.74	15,916,464,347.45
Total equity attributable to the parent company		34,434,911,378.59	33,345,756,406.80
Non-controlling interest		728,573,950.74	767,310,154.58
Total equity		35,163,485,329.33	34,113,066,561.38
Total liabilities & equity		144,032,020,805.30	139,597,705,109.93

Xinhu Zhongbao Co., Ltd.

Parent company balance sheet as at December 31, 2019

(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2018
Current assets:			
Cash and bank balances		5,400,910,505.14	3,950,693,240.54
Held-for-trading financial assets			
Financial assets at fair value through profit or loss			2,949,145.81
Derivative financial assets			
Notes receivable			
Accounts receivable	1	478,896.02	5,284,420.26
Receivables financing			
Advances paid		51,319,759.36	51,932,382.26
Other receivables	2	18,077,012,294.47	21,620,444,297.57
Inventories		324,096.06	324,096.06
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year		400,000,000.00	1,112,100,000.00
Other current assets		40,876,909.71	56,579,450.15
Total current assets		23,970,922,460.76	26,800,307,032.65
Non-current assets:			
Debt investments			
Available-for-sale financial assets			10,016,026,778.34
Other debt investments			
Held-to-maturity investments			
Long-term receivables		314,284,000.00	1,774,284,000.00
Long-term equity investments	3	13,588,769,909.25	13,886,579,707.06
Other equity instrument investments		6,821,101,038.09	
Other non-current financial assets		3,224,604,842.50	
Investment property		48,310,946.60	50,254,212.80
Fixed assets		18,684,140.51	18,873,769.79
Construction in progress			
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets		691,555.47	820,499.67
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred tax assets			
Other non-current assets			7,000,000.00
Total non-current assets		24,016,446,432.42	25,753,838,967.66
Total assets		47,987,368,893.18	52,554,146,000.31

Xinhu Zhongbao Co., Ltd.

Parent company balance sheet as at December 31, 2019 (continued)

(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	December 31, 2018
Current liabilities:			
Short-term borrowings		2,985,625,706.84	2,124,184,000.00
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		400,000,000.00	
Accounts payable		399,080.00	3,234,189.06
Advances received		907,751.97	2,054,064.47
Contract liabilities			
Employee benefits payable		2,663,908.10	2,285,630.30
Taxes and rates payable		3,109,485.41	4,176,487.72
Other payables		6,998,015,070.10	6,092,988,774.76
Liabilities classified as held for sale			
Non-current liabilities due within one year		6,704,255,248.21	8,526,667,123.99
Other current liabilities		487,317,413.70	600,000,000.00
Total current liabilities		17,582,293,664.33	17,355,590,270.30
Non-current liabilities:			
Long-term borrowings			2,056,398,000.00
Bonds payable		7,544,321,774.58	11,422,010,114.36
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities		2,902,400,000.00	1,740,000,000.00
Total non-current liabilities		10,446,721,774.58	15,218,408,114.36
Total liabilities		28,029,015,438.91	32,573,998,384.66
Equity:			
Share capital		8,599,343,536.00	8,599,343,536.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		7,807,475,944.70	8,258,725,704.50
Less: Treasury shares		496,710,118.89	
Other comprehensive income		-301,918,191.46	-1,756,550,527.60
Special reserve			
Surplus reserve		1,107,614,777.31	1,035,580,710.47
Undistributed profit		3,242,547,506.61	3,843,048,192.28
Total equity		19,958,353,454.27	19,980,147,615.65
Total liabilities & equity		47,987,368,893.18	52,554,146,000.31

Xinhu Zhongbao Co., Ltd.

Consolidated income statement for the year ended December 31, 2019

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue		14,810,295,115.09	17,227,114,696.42
Including: Operating revenue	1	14,810,295,115.09	17,227,114,696.42
Interest income			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost		14,899,955,243.75	15,819,642,449.96
Including: Operating cost	1	9,553,992,248.96	12,311,671,019.62
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges	2	1,877,984,381.86	1,074,599,719.43
Selling expenses	3	397,317,198.81	315,150,134.41
Administrative expenses	4	445,335,489.44	420,224,343.19
R&D expenses			
Financial expenses	5	2,625,325,924.68	1,697,997,233.31
Including: Interest expenses		2,707,210,694.81	2,034,935,291.81
Interest income		175,827,704.50	318,600,499.04
Add: Other income	6	3,837,118.08	11,407,225.61
Investment income (or less: losses)	7	3,643,634,240.20	2,489,612,949.16
Including: Investment income from associates and joint ventures		2,850,831,623.70	2,310,578,477.53
Gains from derecognition of financial assets at amortized cost			
Gains on foreign exchange (or less: losses)			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)	8	-689,713,896.08	-87,311,663.85
Credit impairment loss	9	-2,614,190.17	
Assets impairment loss	10	-29,969,225.83	-271,875,213.47
Gains on asset disposal (or less: losses)	11	185,216.21	-597,713.09
III. Operating profit (or less: losses)		2,835,699,133.75	3,548,707,830.82
Add: Non-operating revenue	12	10,955,606.15	3,722,349.48
Less: Non-operating expenditures	13	90,333,269.50	24,250,748.36
IV. Profit before tax (or less: total loss)		2,756,321,470.40	3,528,179,431.94
Less: Income tax	14	644,694,535.73	834,820,131.33
V. Net profit (or less: net loss)		2,111,626,934.67	2,693,359,300.61
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		2,111,626,934.67	2,693,359,300.61
2. Net profit from discontinued operations (or less: net loss)			
(II) Categorized by the portion of equity ownership			
1. Net profit attributable to owners of parent company (or less: net loss)		2,153,412,681.24	2,506,201,669.61
2. Net profit attributable to non-controlling shareholders (or less: net loss)		-41,785,746.57	187,157,631.00
VI. Other comprehensive income after tax	15	-97,102,590.52	-272,098,151.61
Items attributable to the owners of the parent company		-97,102,590.52	-272,098,151.61
(I) Not to be reclassified subsequently to profit or loss		-55,023,600.54	2,631,149.01
1.Changes in remeasurement on the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss		-43,325,345.58	2,631,149.01
3. Changes in fair value of other equity instrument investments		-11,698,254.96	
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss		-42,078,989.98	-274,729,300.62
1. Items under equity method that may be reclassified to profit or loss		122,464,540.33	531,301,937.81
2. Changes in fair value of other debt investments			
3. Profit or loss from changes in fair value of available-for-sale financial assets			-450,846,285.87
4. Profit or loss from reclassification of financial assets into other comprehensive income			
5. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Provision for credit impairment of other debt investments			
7.Cash flow hedging reserve (profit or loss on cash flow hedging)			
8. Translation reserve		-164,543,530.31	-272,353,425.16
9. Others			-82,831,527.40
Items attributable to non-controlling shareholders			
VII. Total comprehensive income		2,014,524,344.15	2,421,261,149.00
Items attributable to the owners of the parent company		2,056,310,090.72	2,234,103,518.00
Items attributable to non-controlling shareholders		-41,785,746.57	187,157,631.00
VIII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)		0.25	0.29
(II) Diluted EPS (yuan per share)		0.25	0.29

Xinhu Zhongbao Co., Ltd.

Parent company income statement for the year ended December 31, 2019

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue	1	2,542,209,751.31	2,211,672,728.37
Less: Operating cost	1	2,531,662,016.91	2,199,827,970.04
Taxes and surcharges		3,106,430.50	4,717,929.80
Selling expenses			
Administrative expenses		61,128,852.81	77,683,110.27
R&D expenses			
Financial expenses		2,100,409,871.68	481,588,665.62
Including: Interest expenses		2,099,174,325.32	1,890,455,310.24
Interest income		74,192,493.55	1,374,679,765.31
Add: Other income			224,725.78
Investment income (or less: losses)	2	3,152,831,304.80	1,484,731,151.28
Including: Investment income from associates and joint ventures		366,182,075.17	251,452,602.16
Gains from derecognition of financial assets at amortized cost			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)		-205,306,021.73	-454,895.29
Credit impairment loss		-63.89	
Assets impairment loss			-108,397,485.55
Gains on asset disposal (or less: losses)			
II. Operating profit (or less: losses)		793,427,798.59	823,958,548.86
Add: Non-operating revenue		5,300.56	926,954.34
Less: Non-operating expenditures		1,450,808.39	7,298,267.80
III. Profit before tax (or less: total loss)		791,982,290.76	817,587,235.40
Less: Income tax			
IV. Net profit (or less: net loss)		791,982,290.76	817,587,235.40
(I) Net profit from continuing operations (or less: net loss)		791,982,290.76	817,587,235.40
(II) Net profit from discontinued operations (or less: net loss)			
V. Other comprehensive income after tax		310,224,364.83	-370,358,865.32
(I) Not to be reclassified subsequently to profit or loss		334,975,452.64	-718,186.94
1.Changes in remeasurement on the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss		-3,833,175.35	-718,186.94
3. Changes in fair value of other equity instrument investments		338,808,627.99	
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss		-24,751,087.81	-369,640,678.38
1. Items under equity method that may be reclassified to profit or loss		-24,751,087.81	-93,034,543.00
2. Changes in fair value of other debt investments			
3. Profit or loss from changes in fair value of available-for-sale financial assets			-276,606,135.38
4. Profit or loss from reclassification of financial assets into other comprehensive income			
5. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Provision for credit impairment of other debt investments			
7. Cash flow hedging reserve (profit or loss on cash flow hedging)			
8. Translation reserve			
9. Others			
VI. Total comprehensive income		1,102,206,655.59	447,228,370.08
VII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)			
(II) Diluted EPS (yuan per share)			

Xinhu Zhongbao Co., Ltd.
Consolidated cash flow statement for the year ended December 31, 2019
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services		18,294,860,439.70	18,072,065,362.84
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts from original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policy-holder deposit and investment			
Cash receipts from interest, handling charges and commission			
Net increase of loans from others			
Net increase of repurchase			
Net cash receipts from agency security transaction			
Receipts of tax refund		27,203,070.18	60,664,649.96
Other cash receipts related to operating activities	1	1,062,725,053.83	1,574,319,069.88
Subtotal of cash inflows from operating activities		19,384,788,563.71	19,707,049,082.68
Cash payments for goods purchased and services received		13,028,839,982.64	19,415,851,104.17
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payments for insurance indemnities of original insurance contracts			
Net increase of loans to others			
Cash payments for interest, handling charges and commission			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		463,793,449.51	397,297,302.66
Cash payments for taxes and rates		2,181,266,357.96	2,069,124,095.66
Other cash payments related to operating activities	2	1,443,383,002.01	1,603,452,249.10
Subtotal of cash outflows from operating activities		17,117,282,792.12	23,485,724,751.59
Net cash flows from operating activities		2,267,505,771.59	-3,778,675,668.91
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments		1,683,526,028.94	2,772,940,662.90
Cash receipts from investment income		638,285,979.84	915,422,324.10
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		262,472.10	947,711.86
Net cash receipts from the disposal of subsidiaries & other business units		915,109,279.24	246,460,000.00
Other cash receipts related to investing activities	3	3,636,419,125.42	8,332,225,697.37
Subtotal of cash inflows from investing activities		6,873,602,885.54	12,267,996,396.23
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		48,299,746.03	34,870,392.59
Cash payments for investments		3,507,704,241.40	7,329,833,563.90
Net increase of pledged borrowings			
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities	4	1,295,252,120.23	8,971,914,857.01
Subtotal of cash outflows from investing activities		4,851,256,107.66	16,336,618,813.50
Net cash flows from investing activities		2,022,346,777.88	-4,068,622,417.27
III. Cash flows from financing activities:			
Cash receipts from absorbing investments			24,500,000.00
Including: Cash received by subsidiaries from non-controlling shareholders as investments			24,500,000.00
Cash receipts from borrowings		33,398,269,244.96	29,718,708,136.35
Other cash receipts related to financing activities	5	6,849,326,032.76	2,304,943,429.41
Subtotal of cash inflows from financing activities		40,247,595,277.72	32,048,151,565.76
Cash payments for the repayment of borrowings		35,518,456,648.48	17,786,441,710.58
Cash payments for distribution of dividends or profits and for interest expenses		6,054,434,234.23	5,165,520,020.34
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit		40,960,000.00	79,600,000.00
Other cash payments related to financing activities	6	5,012,253,514.52	2,998,872,030.78
Subtotal of cash outflows from financing activities		46,585,144,397.23	25,950,833,761.70
Net cash flows from financing activities		-6,337,549,119.51	6,097,317,804.06
IV. Effect of foreign exchange rate changes on cash & cash equivalents		-9,929,696.88	112,842,640.31
V. Net increase in cash and cash equivalents		-2,057,626,266.92	-1,637,137,641.81
Add: Opening balance of cash and cash equivalents		14,583,268,372.24	16,220,406,014.05
VI. Closing balance of cash and cash equivalents		12,525,642,105.32	14,583,268,372.24

Xinhu Zhongbao Co., Ltd.

Parent company cash flow statement for the year ended December 31, 2019

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		2,758,563,823.69	2,481,164,618.08
Receipts of tax refund			
Other cash receipts related to operating activities		95,921,794.68	195,072,406.76
Subtotal of cash inflows from operating activities		2,854,485,618.37	2,676,237,024.84
Cash payments for goods purchased and services received		833,472,755.26	1,297,726,739.71
Cash paid to and on behalf of employees		21,411,661.55	21,184,215.63
Cash payments for taxes and rates		16,349,488.65	23,149,290.06
Other cash payments related to operating activities		55,991,213.36	50,529,888.60
Subtotal of cash outflows from operating activities		927,225,118.82	1,392,590,134.00
Net cash flows from operating activities		1,927,260,499.55	1,283,646,890.84
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments		1,808,237,590.38	2,475,330,000.00
Cash receipts from investment income		549,386,482.80	807,021,348.02
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		5,300.00	1,300.00
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities		27,203,196,003.47	22,912,816,774.16
Subtotal of cash inflows from investing activities		29,560,825,376.65	26,195,169,422.18
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		438,277.40	213,333.11
Cash payments for investments		1,448,715,543.97	2,784,047,336.84
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities		17,760,133,671.47	28,650,298,441.58
Subtotal of cash outflows from investing activities		19,209,287,492.84	31,434,559,111.53
Net cash flows from investing activities		10,351,537,883.81	-5,239,389,689.35
III. Cash flows from financing activities:			
Cash receipts from absorbing investments			
Cash receipts from borrowings		4,562,000,000.00	8,447,880,000.00
Other cash receipts related to financing activities		11,393,080,584.59	18,456,557,368.84
Subtotal of cash inflows from financing activities		15,955,080,584.59	26,904,437,368.84
Cash payments for the repayment of borrowings		12,933,261,000.00	6,324,762,000.00
Cash payments for distribution of dividends or profits and for interest expenses		2,446,937,028.14	2,047,802,554.20
Other cash payments related to financing activities		11,683,430,072.07	18,953,463,307.70
Subtotal of cash outflows from financing activities		27,063,628,100.21	27,326,027,861.90
Net cash flows from financing activities		-11,108,547,515.62	-421,590,493.06
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		1,170,250,867.74	-4,377,333,291.57
Add: Opening balance of cash and cash equivalents		3,917,217,001.50	8,294,550,293.07
VI. Closing balance of cash and cash equivalents		5,087,467,869.24	3,917,217,001.50

Xinhu Zhongbao Co., Ltd.

Consolidated statement of changes in equity for the year ended December 31, 2019

(Expressed in Renminbi Yuan)

Items	Current period cumulative												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred shares	Perpetual bonds	Others									
I. Balance at the end of prior year	8,599,343,536.00				7,961,905,707.63		-245,475,760.40		1,113,518,576.12		15,516,464,347.45	767,310,154.58	34,113,066,561.38
Add: Cumulative changes of accounting policies							472,587,020.48		-7,164,162.24		-66,237,691.40	7,711,034.61	406,896,201.45
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	8,599,343,536.00				7,961,905,707.63		227,111,260.08		1,106,354,413.88		15,850,226,656.05	775,021,189.19	34,519,962,762.83
III. Current period increase (or less: decrease)					-368,843,301.41	496,710,118.89	-97,102,590.52		79,198,229.08		1,573,427,586.69	-46,447,238.45	643,522,566.50
(I) Total comprehensive income							-97,102,590.52				2,153,412,681.24	-41,785,746.57	2,014,524,344.15
(II) Capital contributed or withdrawn by owners					-368,843,301.41	496,710,118.89						34,698,508.12	-830,854,912.18
1. Ordinary shares contributed by owners						496,710,118.89						34,698,508.12	-462,011,610.77
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others					-368,843,301.41								-368,843,301.41
(III) Profit distribution									79,198,229.08		-579,985,094.55	-39,360,000.00	-540,146,865.47
1. Appropriation of surplus reserve									79,198,229.08		-79,198,229.08		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-500,786,865.47	-39,360,000.00	-540,146,865.47
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
IV. Balance at the end of current period	8,599,343,536.00				7,593,062,406.22	496,710,118.89	130,008,669.56		1,185,552,642.96		17,423,654,242.74	728,573,950.74	35,163,485,329.33

Xinhu Zhongbao Co., Ltd.

Consolidated statement of changes in equity for the year ended December 31, 2019 (continued)

(Expressed in Renminbi Yuan)

Items	Preceding period comparative												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred shares	Perpetual bonds	Others									
I. Balance at the end of prior year	8,599,343,536.00				7,968,114,485.47		26,622,391.21		1,059,103,749.70		14,228,279,062.60	692,945,850.19	32,574,409,075.17
Add: Cumulative changes of accounting policies													
Error correction of prior period									-27,343,897.12		-246,095,074.04		-273,438,971.16
Business combination under common control													
Others													
II. Balance at the beginning of current year	8,599,343,536.00				7,968,114,485.47		26,622,391.21		1,031,759,852.58		13,982,183,988.56	692,945,850.19	32,300,970,104.01
III. Current period increase (or less: decrease)					-6,208,777.84		-272,098,151.61		81,758,723.54		1,934,280,358.89	74,364,304.39	1,812,096,457.37
(I) Total comprehensive income							-272,098,151.61				2,506,201,669.61	187,157,631.00	2,421,261,149.00
(II) Capital contributed or withdrawn by owners					-6,208,777.84							-17,780,594.98	-23,989,372.82
1. Ordinary shares contributed by owners												-5,500,000.00	-5,500,000.00
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity					20,950,663.01								20,950,663.01
4. Others					-27,159,440.85							-12,280,594.98	-39,440,035.83
(III) Profit distribution									81,758,723.54		-571,921,310.72	-95,012,731.63	-585,175,318.81
1. Appropriation of surplus reserve									81,758,723.54		-81,758,723.54		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-490,162,587.18	-177,844,259.03	-668,006,846.21
4. Others												82,831,527.43	82,831,527.40
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
IV. Balance at the end of current period	8,599,343,536.00				7,961,905,707.63		-245,475,760.40		1,113,518,576.12		15,916,464,347.45	767,310,154.58	34,113,066,561.38

Xinhu Zhongbao Co., Ltd.

Parent company statement of changes in equity for the year ended December 31, 2019

(Expressed in Renminbi Yuan)

Items	Current period cumulative										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	8,599,343,536.00				8,258,725,704.50		-1,756,550,527.60		1,035,580,710.47	3,843,048,192.28	19,580,147,615.65
Add: Cumulative changes of accounting policies							396,387,549.59		-7,164,162.24	-64,477,460.16	324,745,927.19
Error correction of prior period											
Others											
II. Balance at the beginning of current year	8,599,343,536.00				8,258,725,704.50		-1,360,162,978.01		1,028,416,548.23	3,778,570,732.12	20,304,893,542.84
III. Current period increase (or less: decrease)					-451,249,759.80	496,710,118.89	1,058,244,786.55		79,198,229.08	-536,023,225.51	-346,540,088.57
(I) Total comprehensive income							310,224,364.83			791,982,290.76	1,102,206,655.59
(II) Capital contributed or withdrawn by owners					-451,249,759.80	496,710,118.89					-947,959,878.69
1. Ordinary shares contributed by owners						496,710,118.89					-496,710,118.89
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others					-451,249,759.80						-451,249,759.80
(III) Profit distribution									79,198,229.08	-579,985,094.55	-500,786,865.47
1. Appropriation of surplus reserve									79,198,229.08	-79,198,229.08	
2. Appropriation of profit to owners										-500,786,865.47	-500,786,865.47
3. Others											
(IV) Internal carry-over within equity							748,020,421.72			-748,020,421.72	
1.Transfer of capital reserve to capital											
2.Transfer of surplus reserve to capital											
3.Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings							748,020,421.72			-748,020,421.72	
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	8,599,343,536.00				7,807,475,944.70	496,710,118.89	-301,918,191.46		1,107,614,777.31	3,242,547,506.61	19,958,353,454.27

Xinhu Zhongbao Co., Ltd.

Parent company statement of changes in equity for the year ended December 31, 2019 (continued)

(Expressed in Renminbi Yuan)

Items	Preceding period comparative										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	8,599,343,536.00				8,294,815,077.32		-1,386,191,662.28		981,165,884.05	3,843,477,341.64	20,332,610,176.73
Add: Cumulative changes of accounting policies											
Error correction of prior period									-27,343,897.12	-246,095,074.04	-273,438,971.16
Others											
II. Balance at the beginning of current year	8,599,343,536.00				8,294,815,077.32		-1,386,191,662.28		953,821,986.93	3,597,382,267.60	20,059,171,205.57
III. Current period increase (or less: decrease)					-36,089,372.82		-370,358,865.32		81,758,723.54	245,665,924.68	-79,023,589.92
(I) Total comprehensive income							-370,358,865.32			817,587,235.40	447,228,370.08
(II) Capital contributed or withdrawn by owners					-36,089,372.82						-36,089,372.82
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity					20,950,663.01						20,950,663.01
4. Others					-57,040,035.83						-57,040,035.83
(III) Profit distribution									81,758,723.54	-571,921,310.72	-490,162,587.18
1. Appropriation of surplus reserve									81,758,723.54	-81,758,723.54	
2. Appropriation of profit to owners										-490,162,587.18	-490,162,587.18
3. Others											
(IV) Internal carry-over within equity											
1.Transfer of capital reserve to capital											
2.Transfer of surplus reserve to capital											
3.Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	8,599,343,536.00				8,258,725,704.50		-1,756,550,527.60		1,035,580,710.42	3,843,048,192.28	19,980,147,615.65

[Name]
[Legal representative]
(Signature and stamp)

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

[Name]
[Head of accounting department]
(Signature and stamp)

Xinhu Zhongbao Co., Ltd.

Notes to Financial Statements

For the year ended December 31, 2019

Monetary unit: RMB Yuan

I. Company profile

Xinhu Zhongbao Co., Ltd. (the "Company") is established through private placement under the approval of the joint-stock pilot work coordination group of the People's Government of Zhejiang Province. Its original registered capital was 50,000,000 yuan, with a total of 5,000,000 shares (each with par value of 10 yuan). The Company has obtained a business license with united social credit code of 91330000142941287T. The Company's shares were listed at Shanghai Stock Exchange on June 23, 1999, stock code: 600208. After several share distribution, capital increase, private placement and absorbing merger with 浙江新湖创业投资股份有限公司 (Zhejiang Xinhu Investment Co., Ltd.*), as of December 31, 2019, the Company's registered capital has been increased to 8,599,343,536.00 yuan, with a total of 8,599,343,536 shares (each with par value of one yuan), of which, 1,171,615 shares are restricted outstanding A shares, and 8,598,171,921 shares are unrestricted outstanding A shares.

The Company belongs to real estate industry. Its main operating activities are real estate development, financial investment, commercial trade, mineral exploration and mining, etc. Its main products are commercial housing properties.

The financial statements were approved and authorized for issue by the 21st meeting of the tenth session of the Board of Directors dated April 28, 2020.

The Company has brought 93 subsidiaries into the consolidated scope, including 沈阳新湖房地产开发有限公司 (Shenyang Xinhu Real Estate Development Co., Ltd.*), 新湖地产集团有限公司 (Xinhu Real Estate Group Co., Ltd.*), 浙江允升投资集团有限公司 (Zhejiang Yunsheng Investment Group Co., Ltd.*), etc. Please refer to changes in the consolidation scope and interest in other entities for details.

II. Preparation basis of the financial statements

(I) Preparation basis

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

* *The English names are for identification purpose only.*

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

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

III. Significant accounting policies and estimates

Important note:

The Company has set up accounting policies and estimates on transactions or events such as impairment of financial instruments, depreciation of fixed assets, amortization of intangible assets, and revenue recognition, etc. based on the Company's actual production and operation features.

(I) Statement of compliance

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

(II) Accounting period

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

(III) Operating cycle

Except for the real estate industry, the Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months. The operating cycle for real estate industry starts from the development of property and ends at sales, which normally extends over 12 months and is subject to specific projects, therefore, an asset or a liability is classified as current if it is expected to be realized or due within such operating cycle.

(IV) Functional currency

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

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

1. Accounting treatment of business combination under common control

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

2. Accounting treatment of business combination not under common control

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

(VI) Compilation method of consolidated financial statements

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

(VII) Recognition criteria of cash and cash equivalents

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

(VIII) Foreign currency translation

1. Translation of transactions denominated in foreign currency

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

2. Translation of financial statements measured in foreign currency

The assets and liabilities in the balance sheet are translated into RMB at the spot rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot rate at the transaction date; the revenues and expenses in the income statement are translated into RMB at the exchange rate similar to the spot exchange rate at the transaction date. The difference arising from foreign currency translation is included in other comprehensive income.

(IX) Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories when initially recognized: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories when initially recognized: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (3) financial guarantee contracts not fall within the above categories (1) and (2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category (1); (4) financial liabilities at amortized cost.

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

(1) Recognition criteria and measurement method of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount. However, at initial recognition, for accounts receivable that do not contain a significant financing component or contracts in which the financing components with associated period less than one year are not considered, the Company measures at their transaction price.

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

The Company measures its financial assets at the amortized costs using effective interest method. Gains or losses on financial assets that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial assets are derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses.

2) Debt instrument investments at fair value through other comprehensive income

The Company measures its debt instrument investments at fair value. Interests, impairment gains or losses, and gains and losses on foreign exchange that calculated using effective interest method shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into profit or loss when the financial assets are derecognized.

3) Equity instrument investments at fair value through other comprehensive income

The Company measures its equity instrument investments at fair value. Dividends obtained (other than those as part of investment cost recovery) shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into retained earnings when the financial assets are derecognized.

4) Financial assets at fair value through profit or loss

The Company measures its financial assets at fair value. Gains or losses arising from changes in fair value (including interests and dividends) shall be included into profit or loss, except for financial assets that are part of hedging relationships.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities (including derivatives that are liabilities) and financial liabilities designated as at fair value through profit or loss. The Company measures such kind of liabilities at fair value. The amount of changes in the fair value of the financial liabilities that are attributable to changes in the Company's own credit risk shall be included into other comprehensive income, unless such treatment would create or enlarge accounting mismatches in profit or loss. Other gains or losses on those financial liabilities (including interests, changes in fair value that are attributable to reasons other than changes in the Company's own credit risk) shall be included into profit or loss, except for financial liabilities that are part of hedging relationships. Accumulated gains or losses that originally recognized as other comprehensive income should be transferred out into retained earnings when the financial liabilities are derecognized.

2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies

The Company measures its financial liabilities in accordance with "CASBE 23 – Transfer of Financial Assets".

3) Financial guarantee contracts not fall within the above categories 1) and 2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category 1)

The Company measures its financial liabilities at the higher of: a. the amount of loss allowances in according to impairment requirements of financial instruments; b. the amount initially recognized less the amount of accumulated amortization recognized in accordance with relevant regulations.

4) Financial liabilities at amortized cost

The Company measures its financial liabilities at amortized cost using effective interest method. Gains or losses on financial liabilities that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial liabilities are derecognized and through the amortization process.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

a. the contractual rights to the cash flows from the financial assets expire; or

b. the financial assets have been transferred and the transfer qualifies for derecognition in accordance with "CASBE 23 – Transfer of Financial Assets".

2) Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company does not retain its control over the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability; (2) if the Company retains its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions to derecognition, the entire carry amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

4. Fair value determination method of financial assets and liabilities

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

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

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

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

5. Impairment of financial instruments

(1) Measurement and accounting treatment

The Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost, debt instrument investments at fair value through other comprehensive income, lease receivable, loan commitments other than financial liabilities classified as at fair value through profit or loss, financial guarantee contracts that do not belong to financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Expected credit losses refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Purchased or originated credit-impaired financial assets are discounted at the credit-adjusted effective interest rate.

On the balance sheet date, the Company shall only recognize the cumulative changes in the lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

For accounts receivable that do not contain a significant financing component or contracts in which the financing components with associated period less than one year are not considered, the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For lease receivables and accounts receivable that contain a significant financing component, the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets other than the above, on each balance sheet date, the Company shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. The Company shall measure the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition; otherwise, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Considering reasonable and supportable forward-looking information, the Company compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition, so as to assess whether the credit risk on the financial instrument has increased significantly since initial recognition.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk on the balance sheet date.

The Company shall estimate expected credit risk and measure expected credit losses on an individual or a collective basis. When the Company adopts the collective basis, financial instruments are grouped with similar credit risk features.

The Company shall remeasure expected credit loss on each balance sheet date, and increased or reversed amounts of loss allowance arising therefrom shall be included into profit or loss as impairment losses or gains. For a financial asset measured at amortized cost, the loss allowance reduce the carrying amount of such financial asset presented in the balance sheet; for a debt investment measured at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of such financial asset.

(2) Financial instruments with expected credit risk assessed and expected credit losses measured on a collective basis

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Other receivables – Portfolio grouped with balances due from related parties within the consolidation scope	Related parties brought into consolidation scope	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates the expected credit loss through exposure at default and 12-month or lifetime expected credit loss rate.
Other receivables – Portfolio of low risk	Mainly including balances due from other related parties, partners and government departments, and equity and debt transfer payment, and receivables generally free of recovery risk	
Other receivables – Portfolio grouped with other balances	Nature of receivables	

(3) Accounts receivable with expected credit losses measured on a collective basis

1) Specific portfolios and method for measuring expected credit loss

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Bank acceptance receivable	Type of notes	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Trade acceptance receivable		
Accounts receivable – Portfolio grouped with balances due from related parties within the consolidation scope	Related parties brought into the consolidation scope	The Company calculates expected credit loss based on historical credit loss experience, the current situation and the forecast of future economic conditions, comparison table of lifetime expected credit loss rate of accounts receivable.
Accounts receivable – Portfolio grouped with overdue ages	Overdue ages	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of overdue ages and lifetime expected credit loss rate of accounts receivable, so as to calculate expected credit loss.

2) Accounts receivable – comparison table of ages and lifetime expected credit loss rate of portfolio grouped with overdue ages

Ages	Expected credit loss rate (%)
Not overdue	0.00
Overdue within 1 year (inclusive, the same hereinafter)	4.00
Overdue 1-2 years	8.00
Overdue 2-3 years	20.00
Overdue 3-5 years	50.00
Overdue over 5 years	100.00

6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, and only when, the Company: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred asset and the associated liability.

(X) Inventories

1. Classification of inventories

Inventories include land for development and developed goods held for sale or use, developed goods held for sale but temporary on lease, revolving property, materials and equipment on hand, finished film and TV plays, and low-value consumables, etc., as well as development costs incurred in the process of development.

2. Accounting method for dispatching inventories:

(1) Inventories dispatched from storage are accounted for with weighted average method at the end of each month.

(2) In the course of project development, the cost of land for development is allocated in the development cost of different projects based on the area of project developed; if the plot ratio among different projects varies a lot, the cost of land for development is allocated based on the construction areas of the developed goods.

(3) Developed products dispatched from storage are accounted for with average of construction areas.

(4) Developed products and revolving property held for sale but temporary on lease are amortized within estimated useful life of fixed assets under same categories.

(5) In case the public facilities are completed prior to related developed products, cost of public facilities is included in development cost of related developed products proportionate to the construction area when the final audit of public facilities is finished. In case the public facilities are completed later than related developed products, estimated cost of public facilities is included in development cost of related developed products, and adjusted to actual cost when the final audit on public facilities is finished.

3. Basis for determining net realizable value

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

4. Inventory system

Perpetual inventory method is adopted.

5. Amortization method of low-value consumables and packages

(1) Low-value consumables

Low-value consumables are amortized with one-off method.

(2) Packages

Packages are amortized with one-off method.

(XI) Non-current assets or disposal groups classified as held for sale

1. Classification of non-current assets or disposal groups as held for sale

Non-current assets or disposal groups are accounted for as held for sale when the following conditions are all met: a. the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets or disposal groups; b. its sales must be highly probable, i.e., the Company has made a decision on the sale plan and has obtained a firm purchase commitment, and the sale is expected to be completed within one year.

When the Company acquires a non-current asset or disposal group with a view to resale, it shall classify the non-current asset or disposal group as held for sale at the acquisition date only if the requirement of “expected to be completed within one year” is met at that date and it is highly probable that other criteria for held for sale will be met within a short period (usually within three months).

An asset or a disposal group is still accounted for as held for sale when the Company remains committed to its plan to sell the asset or disposal group in the circumstance that non-related party transactions fail to be completed within one year due to one of the following reasons: a. a buyer or others unexpectedly set conditions that will extend the sale period, while the Company has taken timely actions to respond to the conditions and expects a favorable resolution of the delaying factors within one year since the setting; (2) a non-current asset or disposal group classified as held for sale fails to be sold within one year due to rare cases, and the Company has taken action necessary to respond to the circumstances during the initial one-year period and the criteria for held for sale are met.

2. Measurement of non-current assets or disposal groups as held for sale

(1) Initial measurement and remeasurement

For initial measurement and remeasurement as at the balance sheet date of a non-current asset or disposal group as held for sale, where the carrying amount is higher than the fair value less costs to sell, the carrying amount is written down to the fair value less costs to sell, and the write-down is recognized in profit or loss as assets impairment loss, meanwhile, provision for impairment of assets as held for sale shall be made.

For a non-current asset or disposal group classified as held for sale at the acquisition date, the asset or disposal group is measured on initial recognition at the lower of its initial measurement amount had it not been so classified and fair value less costs to sell. Apart from the non-current asset or disposal group acquired through business combination, the difference arising from the initial recognition of a non-current asset or disposal group at the fair value less costs to sell shall be included into profit or loss.

The assets impairment loss recognized for a disposal group as held for sale shall reduce the carrying amount of goodwill in the disposal group first, and then reduce its carrying amount based on the proportion of each non-current asset's carrying amount in the disposal group.

No provision for depreciation or amortization shall be made on non-current assets as held for sale or non-current assets in disposal groups as held for sale, while interest and other expenses attributable to the liabilities of a disposal group as held for sale shall continue to be recognized.

(2) Reversal of assets impairment loss

When there is a subsequent increase in fair value less costs to sell of a non-current asset as held for sale at the balance sheet date, the write-down shall be recovered, and shall be reversed not in excess of the impairment loss that has been recognized after the non-current asset was classified as held for sale. The reversal shall be included into profit or loss. Assets impairment loss that has been recognized before the classification is not reserved.

When there is a subsequent increase in fair value less costs to sell of a disposal group as held for sale at the balance sheet date, the write-down shall be recovered, and shall be reversed not in excess of the non-current assets impairment loss that has been recognized after the disposal group was classified as held for sale. The reversal shall be included into profit or loss. The reduced carrying amount of goodwill and non-current assets impairment loss that has been recognized before the classification is not reserved.

The subsequent reversal of the impairment loss that has been recognized in a disposal group as held for sale, the carrying amount is increased based on the proportion of carrying amount of each non-current assets (excluding goodwill) in the disposal group.

(3) Non-current asset or disposal group that is no longer classified as held for sale and derecognized

A non-current asset or disposal group that does not met criteria for held for sale and no longer classified as held for sale, or a non-current asset that removed from a disposal group as held for sale shall be measured at the lower of: a. its carrying amount before it was classified as held for sale, adjusted for any depreciation. Amortization or impairment that would have been recognized had it not been classified as held for sale; and b. its recoverable amount.

When a non-current asset or disposal group classified as held for sale is derecognized, unrecognized gains or losses shall be included into profit or loss.

(XII) Long-term equity investments

1. Judgment of joint control and significant influence

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

2. Determination of investment cost

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

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

If it is a "bundled transaction", stages as a whole are considered as one transaction in accounting treatment. If it is not a "bundled transaction", investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included the consolidated financial statements of the ultimate controlling party. The difference between the acquisition-date investment cost of long-term equity investments and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

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

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

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

2) In the case of consolidated financial statements, the Company determines whether it is a

"bundled transaction".

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

(3) Long-term equity investments obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to "CASBE 12 - Debt Restructuring"; and that obtained through non-cash assets exchange is determined according to "CASBE 7 - Non-cash Assets Exchange".

3. Subsequent measurement and recognition method of gain or loss

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

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

(1) Stand-alone financial statements

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company's loss of significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company's loss of control, joint control, or significant influence, the remained equity is accounted for according to "CASBE 22 - Financial Instruments: Recognition and Measurement".

(2) Consolidated financial statements

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

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

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

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

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

(XIII) Investment property

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

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

(XIV) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	20-45	3-5	2.11-4.85
General equipment	Straight-line method	3-20	3-5	4.75-32.33
Special equipment	Straight-line method	6-15	3-5	6.33-16.17
Transport facilities	Straight-line method	5-12	3-5	7.92-19.40
Other equipment	Straight-line method	5-15	3-5	6.33-19.40

(XV) Construction in progress

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

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

(XVI) Borrowing costs

1. Recognition principle of borrowing costs capitalization

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

2. Borrowing costs capitalization period

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

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

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

3. Capitalization rate and capitalized amount of borrowing costs

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

(XVII) Intangible assets

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

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

Items	Amortization method	Amortization period (years)
Land use right	Amortized within the useful lives as stipulated in the land certificate of titles	The useful lives as stipulated in the land certificate of titles
Franchise	Amortized within the franchised life	The franchised life
Software	Amortized within estimated useful lives	5
Parking space use right	Amortized within the useful lives	30

3. Expenditures on the research phase of an internal project are recognized as profit or loss when it is incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(XVIII) Impairment of part of long-term assets

For long-term assets such as long-term equity investments, investment property at cost model, fixed assets, construction in progress, intangible assets with finite useful life, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is estimated. For goodwill recognized in business combination and intangible assets with indefinite useful life, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related group of assets or a portfolio of groups of assets.

When the recoverable amount of such long-term assets is lower than their carrying amount, the difference is recognized as assets impairment loss through profit or loss.

(XIX) Long-term prepayments

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

(XX) Employee benefits

1. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

2. Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

3. Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

(1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. The Company discounts obligations under the defined benefit plan using the discount rate to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the present value of the defined benefit plan obligation from the fair value of defined benefit plan assets as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

3) At the end of reporting period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. Changes as a result of remeasurement of the net defined

benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

4. Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: a. when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or b. when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

5. Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan. The Company recognizes and measures the net liability or net asset of other long-term employee benefits in accordance with the requirements relation to defined benefit plan. At the end of the reporting period, the Company recognizes the components of cost of employee benefits arising from other long-term employee benefits as the followings: a. service cost; b. net interest on the net liability or net assets of other long-term employee benefits; and c. changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts is recognized in profit or loss or included in the cost of a relevant asset.

(XXI) Provisions

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.

2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

(XXII) Share-based payment

1. Types of share-based payment

Share-based payment consists of equity-settled share-based payment and cash-settled share-based payment.

2. Accounting treatment for settlements, modifications and cancellations of share-based payment terms and conditions

(1) Equity-settled share-based payment

For equity-settled share-based payment transaction with employees, if the equity instruments granted vest immediately, the fair value of those equity instruments is measured at grant date and recognized as transaction cost or expense, with a corresponding adjustment in capital reserve; if the equity instruments granted do not vest until the counterparty completes a specified period of service, at the balance sheet date within the vesting period, the fair value of those equity instruments measured at grant date based on the best estimate of the number of equity instruments expected to vest is recognized as transaction cost or expense, with a corresponding adjustment in capital reserve.

For equity-settled share-based payment transaction with parties other than employees, if the fair value of the goods or services received can be measured reliably, the fair value is measured at the date the Company obtains the goods or the counterparty renders service; if the fair value of the goods or services received cannot be measured reliably, the fair value of the equity instruments granted measured at the date the Company obtains the goods or the counterparty renders service is referred to, and recognized as transaction cost or expense, with a corresponding increase in equity.

(2) Cash-settled share-based payment

For cash-settled share-based payment transactions with employees, if share appreciation rights vest immediately, the fair value of the liability incurred as the acquisition of goods or services is measured at grant date and recognized as transaction cost or expense, with a corresponding increase in liabilities; if share appreciation rights do not vest until the employees have completed a specified period of service, the liability is measured, at each balance sheet date until settled, at the fair value of the share appreciation rights measured at grant date based on the best estimate of the number of share appreciation right expected to vest.

(3) Modifications and cancellations of share-based payment terms and conditions

If the modification increases the fair value of the equity instruments granted, measured immediately before and after the modification, the Company includes the incremental fair value granted in the measurement of the amount recognized for services received as consideration for the equity instruments granted; similarly, if the modification increases the number of equity instruments granted, the Company includes the fair value of the additional equity instruments granted, measured at the date of the modification, in the measurement of the amount recognized for services received as consideration for the equity instruments granted; if the Company modifies the vesting conditions in a manner that is beneficial to the employee, the Company takes the modified vesting conditions into account.

If the modification reduces the fair value of the equity instruments granted, measured immediately before and after the modification, the Company does not take into account that decrease in fair value and continue to measure the amount recognized for services received as consideration for the equity instruments based on the grant date fair value of the equity instruments granted; if the modification reduces the number of equity instruments granted to an employee, that reduction is accounted for as a cancellation of that portion of the grant; if the Company modifies the vesting conditions in a manner that is not beneficial to the employee, the Company does not take the modified vesting conditions into account.

If the Company cancels or settles a grant of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting, and therefore recognizes immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

(XXIII) Accounting of repair and maintenance fund

According to regulations of place where development project residents, repair and maintenance fund, which is collected from house purchaser or accrued by the Company and included into the development cost of related developed products, is to be submitted to repair and maintenance fund management department.

(XXIV) Accounting of quality guarantee reserve

Quality guarantee reserve is reserved from project payment of construction entity according to requirements in construction contract. Repair and maintenance fund incurred within the quality guarantee period of developed products is to offset quality guarantee reserve. The balance of quality guarantee reserve is refunded to construction entity when the guarantee term is mature.

(XXV) Revenue

1. Revenue recognition principles

(1) Sale of goods

Revenue from sale of goods is recognized if, and only if, the following conditions are all satisfied: a) significant risks and rewards of ownership of the goods is transferred to the buyer; b) the Company retains neither continuing managerial involvement of ownership nor effective control over the goods sold; c) the amount of revenue can be measured reliably; d) it is probable that the economic benefits of the transaction will flow to the Company; and e) the costs of the transaction incurred and to be incurred can be measured reliably.

(2) Rendering of services

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

(3) Revenue arising from use by others of assets

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

(4) Construction contract

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

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

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

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

2. Revenue recognition method adopted by the Company

The Company is mainly engaged in real estate development and sales. The Company recognizes sales revenue when the housing property construction has been completed and the housing property has passed the quality check and reached the delivery conditions as stipulated in sales contract, and the Company has obtained the evidence of delivery as stipulated in sales contract.

(1) Revenue from real estate sales

Sale of developed products: Revenue is recognized if, and only if, the following conditions are all satisfied: the developed products have been completed and accepted; the sales contract is entered into and the liabilities thereof have been discharged; any significant risks and rewards of ownership of the developed products is transferred to the buyer; the Company retains neither continuing managerial involvement of ownership nor effective control over the developed products sold; the amount of revenue can be measured reliably; it is probable that the economic benefits of the transaction will flow to the Company; and the costs of the transaction incurred and to be incurred can be measured reliably.

Revenue from personal housing property sales: Revenue is recognized if, and only if, the following conditions are all satisfied: a) significant risks and rewards of ownership of the personal housing property are transferred to the buyer; b) the Company retains neither continuing managerial involvement of ownership nor effective control over the property sold; c) the amount of revenue can be measured reliably; d) it is probable that the economic benefits of the transaction will flow to the Company; and e) the costs of the transaction incurred and to be incurred can be measured reliably.

If the housing and project construction services have been covered by irrevocable construction contract, the revenue of such contract is recognized using the percentage of completion method when it is probable that the economic benefits will flow to the Company, the percentage of completion of the transaction can be determined reliably, and the costs of the transaction incurred and to be incurred can be measured reliably.

(2) Revenue from property lease

Revenue from property lease is recognized at the lease commencement date and lease income as stipulated in lease contract or agreement when the lease income has received or the evidence of receipt has been obtained by the Company.

(3) Revenue from hotel room, catering and entertainment services

Revenue from hotel room, catering and entertainment services is recognized when such services have been rendered and the right to receive the service fee has been obtained.

(4) Revenue from other business

Revenue from other business is recognized based on related contracts or agreements when it is probable that the economic benefits of the transaction will flow to the Company; and the costs of the transaction incurred and to be incurred can be measured reliably.

(XXVI) Government grants

1. Government grants shall be recognized if, and only if, the following conditions are all met: (1) the Company will comply with the conditions attaching to the grants; (2) the grants will be received. Monetary government grants are measured at the amount received or receivable.

Non-monetary government grants are measured at fair value, and can be measured at nominal amount in the circumstance that fair value can't be assessed.

2. Government grants related to assets
Government grants related to assets are government grants with which the Company construct or otherwise acquire long-term assets under requirements of government. In the circumstances that there is no specific government requirement, the Company shall determine based on the primary condition to acquire the grants and government grants related to assets are government grants whose primary condition is to construct or otherwise acquire long-term assets. They offset carrying amount of relevant assets or recognized as deferred income. If recognized as deferred income, they are included in profit or loss on a systematic basis over the useful lives of the relevant assets. Those measured at notional amount is directly included into profit or loss. For assets sold, transferred, disposed or damaged within the useful lives, balance of unamortized deferred income is transferred into profit or loss of the year in which the disposal occurred.

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

4. Government grants related to the ordinary course of business shall be included into other income or offset relevant cost based on business nature, while those not related to the ordinary course of business shall be included into non-operating revenue or expenditures.

5. Policy interest subvention
(1) In the circumstance that government appropriates interest subvention to lending bank, who provides loans for the Company with a policy subsidised interest rate, borrowings are carried at the amount received, with relevant borrowings cost computed based on the principal and the policy subsidised interest rate.

(2) In the circumstance that government directly appropriates interest subvention to the Company, the subsidised interest shall offset relevant borrowing cost.

(XXVII) Deferred tax assets/Deferred tax liabilities
1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax

base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (a) business combination; and (b) the transactions or items directly recognized in equity.

(XXVIII) Leases

1. Operating leases

When the Company is the lessee, lease payments are recognized as cost or profit or loss with straight-line method over the lease term. Initial expenses are recognized directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

When the Company is the lessor, lease income is recognized as profit or loss with straight-line method over the lease term. Initial expenses, other than those with material amount and eligible for capitalization which are recognized as profit or loss by installments, are recognized directly as profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

2. Finance leases

When the Company is the lessee, at the commencement of the lease term, lessees recognize finance leases as assets and liabilities in their balance sheets at amounts equal to the lower of fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease, and recognize the minimum lease payments as the entering value of long-term payable, and treat the difference of the two as unrecognized finance expense. Any initial direct costs of the lessee are added to the amount recognized as an asset. The effective interest method is used to recognize finance expense of the period during the lease term.

When the Company is the lessor, at the commencement of the lease, lessor recognizes the aggregate of minimum lease receipts and initial direct costs, each determined at the inception of the lease, as the entering value of finance lease receivables, and recognize the unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values is recognized as unrealized finance income. The effective interest method is used to recognize finance income of the period during the lease term.

(XXIV) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. An operating segment is a component of the Company that:

1. engages in business activities from which it may earn revenues and incur expenses;

2. whose financial performance are regularly reviewed by Management to make decisions about resource to be allocated to the segment and assess its performance; and

3. for which financial information regarding financial position, financial performance and cash flows is available.

(XXX) Other significant accounting policies and estimates

1. Recognition criteria and accounting treatment of discontinued operations

A component of the Company that has been disposed of, or is classified as held for sale and can be clearly distinguished is recognized as a discontinued operation when it fulfills any of the following conditions:

(1) it represents a separate major line of business or a separate geographical area of operations;

(2) it is part of a related plan to dispose of a separate major line of business or a separate geographical area of operations; or

(3) it is a subsidiary acquired exclusively with a review to resale.

2. Accounting treatment related to share repurchase

When the Company repurchases its shares for the purpose of reducing its registered capital or rewarding its employees, if the purchased shares are to be kept as treasury shares, the treasury shares are recorded at the cash distributed to existing shareholders for repurchase; if the purchased shares are to be retired, the difference between the total book value of shares retired and the cash distributed to existing shareholders for repurchase is to dilute capital reserve, or retained earning when necessary. If the Company repurchases vested equity instruments in equity-settled share-based payment transactions with employees, cost of treasury shares granted to employees and capital reserve (other capital reserve) accumulated within the vesting period are to be written off on the payment made to employees, with a corresponding adjustment in capital reserve (share premium).

(XXXI) Significant changes in accounting policies and estimates

1. Significant changes in accounting policies

(1) Changes in accounting policies arising from changes in CASBEs

1) The Company prepared the financial statements for the year ended December 31, 2019 in accordance with “Notice of the Ministry of Finance on Revising and Issuing Financial Statement Templates for General Enterprises” (numbered Cai Kuai [2019] 6), “Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019 Edition)” (numbered Cai Kuai [2019] 16), and CASBEs, and changes in accounting policies are applicable to retrospective application method. Items of financial statement for the year ended December 31, 2018 significantly affected and their amounts are as follows:

<table>
<tr><th colspan="2">Original financial statement items and amounts</th><th colspan="2">Revised financial statement items and amounts</th></tr>
<tr><td rowspan="2">Notes receivable and accounts receivable</td><td rowspan="2">841,815,640.49</td><td>Notes receivable</td><td></td></tr>
<tr><td>Accounts receivable</td><td>841,815,640.49</td></tr>
<tr><td rowspan="2">Notes payable and accounts payable</td><td rowspan="2">2,124,218,064.83</td><td>Notes payable</td><td>110,000,000.00</td></tr>
<tr><td>Accounts payable</td><td>2,014,218,064.83</td></tr>
</table>

2) The Company has adopted “CASBE 22 – Financial Instruments: Recognition and Measurement”, “CASBE 23 – Transfer of Financial Assets”, “CASBE 24 – Hedging” and “CASBE 37 – Financial Instruments: Presentation” revised by the Ministry of Finance of the PRC (the “revised financial instrument standards”) since January 1, 2019. Pursuant to regulations on convergence between original and revised standards, no adjustment shall be made on comparable information, and the difference arising from adoption on the adopting date shall be retrospectively adjusted into retained earnings or other comprehensive income at the beginning of the reporting period.

The revised financial instrument standards change classification and measurement method of financial assets, and determine three major categories of measurement: amortized cost; fair value through other comprehensive income; fair value through profit or loss. The Company makes the above classification based on its own business model and the contractual cash flow characteristics of the financial assets. The Company measures equity investments at fair value through profit or loss, but may make an irrevocable election at initial recognition to measure them at fair value through other comprehensive income.

The revised financial instrument standards require for an “expected credit loss model” instead of “incurred loss model”, which is applicable to financial assets at amortized cost, financial assets at fair value through other comprehensive income, and lease receivable.

① Main effects on the financial statements as of January 1, 2019 due to adoption of revised financial instrument standards are as follows:

Items	Balance sheet		
	Dec. 31, 2018	Effect due to revised financial instrument standards	Jan. 1, 2019
Accounts receivable	841,815,640.49	34,865,018.55	876,680,659.04
Held-for-trading financial assets		1,372,280,724.27	1,372,280,724.27
Financial assets at fair value through profit or loss	1,482,809,748.76	-1,482,809,748.76	
Other receivables	2,846,715,086.66	158,608,914.99	3,005,324,001.65
Other current assets - others		6,852,010.65	6,852,010.65
Available-for-sale financial assets	9,698,952,470.46	-9,698,952,470.46	
Long-term equity investments	31,930,137,364.06	-204,773.10	31,929,932,590.96
Other equity instrument investments		2,241,408,745.22	2,241,408,745.22
Other non-current financial assets		8,568,751,931.45	8,568,751,931.45
Deferred tax assets	759,763,842.40	-22,899,253.12	736,864,589.28
Other non-current assets - Fund and asset management plan	890,000,000.00	-890,000,000.00	
Short-term borrowings	2,941,084,000.00	4,268,956.80	2,945,352,956.80
Other payables	2,594,545,482.09	-709,808,345.53	1,884,737,136.56
Non-current liabilities due within one year	16,580,842,380.22	664,052,659.57	17,244,895,039.79
Other current liabilities - short-term bonds payable	600,000,000.00	39,166,027.40	639,166,027.40
Bonds payable	17,800,081,947.57	-116,674,400.00	17,683,407,547.57
Other comprehensive income	-245,475,760.40	472,587,020.48	227,111,260.08
Surplus reserve	1,113,518,576.12	-7,164,162.24	1,106,354,413.88
Undistributed profit	15,916,464,347.45	-66,237,691.40	15,850,226,656.05
Non-controlling interest	767,310,154.58	7,711,034.61	775,021,189.19

② On January 1, 2019, the comparison table of categories and measuring result of the Company's financial assets under revised and original financial instrument standards is as follows:

Items	Original standards		Revised standards	
	Category	Carrying amount	Category	Carrying amount
Cash and bank balances	Measured at amortized cost (loans and receivables)	16,017,984,803.11	Measured at amortized cost	16,017,984,803.11
Accounts receivable	Measured at amortized cost (loans and	841,815,640.49	Measured at amortized cost	876,680,659.04

Items	Original standards		Revised standards	
	Category	Carrying amount	Category	Carrying amount
	receivables)			
Held-for-trading financial assets			Measured at fair value through profit or loss	1,372,280,724.27
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	1,482,809,748.76		
Other receivables	Measured at amortized cost (loans and receivables)	2,846,715,086.66	Measured at amortized cost	3,005,324,001.65
Other current assets - others			Measured at amortized cost	6,852,010.65
Available-for-sale financial assets	Financial assets at fair value through other comprehensive income	9,698,952,470.46		
Other equity instrument investments			Measured at fair value through other comprehensive income	2,241,408,745.22
Other non-current financial assets			Measured at fair value through profit or loss	8,568,751,931.45
Other non-current assets - fund and asset management plan	Measured at amortized cost (loans and receivables)	890,000,000.00		
Short-term borrowings	Measured at amortized cost (Other financial liabilities)	2,941,084,000.00	Measured at amortized cost	2,945,352,956.80
Notes payable	Measured at amortized cost (Other financial liabilities)	110,000,000.00	Measured at amortized cost	110,000,000.00
Accounts payable	Measured at amortized cost (Other financial liabilities)	2,014,218,064.83	Measured at amortized cost	2,014,218,064.83
Other payables	Measured at amortized cost (Other financial liabilities)	2,594,545,482.09	Measured at amortized cost	1,884,737,136.56
Non-current liabilities due within one year	Measured at amortized cost (Other financial liabilities)	16,580,842,380.22	Measured at amortized cost	17,244,895,039.79
Other current liabilities - short-term bonds payable	Measured at amortized cost (Other financial liabilities)	600,000,000.00	Measured at amortized cost	639,166,027.40
Long-term borrowings	Measured at amortized cost (Other financial liabilities)	40,448,810,942.80	Measured at amortized cost	40,448,810,942.80
Bonds payable	Measured at amortized cost (Other financial liabilities)	17,800,081,947.57	Measured at amortized cost	17,683,407,547.57
Other non-current liabilities - financial institution borrowings	Measured at amortized cost (Other financial liabilities)	2,539,100,000.00	Measured at amortized cost	2,539,100,000.00

③ On January 1, 2019, the reconciliation statement on the carrying amount of the financial assets and financial liabilities under revised financial instrument standards is as follows:

Items	Carrying amount under the original financial instrument standards (Dec. 31, 2018)	Reclassification	Remeasurement	Carrying amount under the revised financial instrument standards (Jan. 1, 2019)
A. Financial assets				

Items	Carrying amount under the original financial instrument standards (Dec. 31, 2018)	Reclassification	Remeasurement	Carrying amount under the revised financial instrument standards (Jan. 1, 2019)
a. Measured at amortized cost				
Cash and bank balances	16,017,984,803.11			16,017,984,803.11
Accounts receivable				
Carrying amount under the original financial instrument standards (December 31, 2018)	841,815,640.49			
Remeasurement: expected credit loss			34,865,018.55	
Carrying amount under the revised financial instrument standards (January 1, 2019)				876,680,659.04
Other receivables				
Carrying amount under the original financial instrument standards (December 31, 2018)	2,846,715,086.66			
Less: Transferred into other current assets - others		-6,852,010.65		
Remeasurement: expected credit loss			165,460,925.64	
Carrying amount under the revised financial instrument standards (January 1, 2019)				3,005,324,001.65
Other current assets - others				
Carrying amount under the original financial instrument standards (December 31, 2018)				
Add: Transferred in from other receivables		6,852,010.65		
Carrying amount under the revised financial instrument standards (January 1, 2019)				6,852,010.65
Other non-current assets - fund and asset management plan				
Carrying amount under the original financial instrument standards (December 31, 2018)	890,000,000.00			
Less: Transferred into other non-current financial assets		-890,000,000.00		
Carrying amount under the revised financial instrument standards (January 1, 2019)				
Total financial assets at amortized cost	20,596,515,530.26	-890,000,000.00	200,325,944.19	19,906,841,474.45
b. Measured at fair value through profit or loss				
Held-for-trading financial				

Items	Carrying amount under the original financial instrument standards (Dec. 31, 2018)	Reclassification	Remeasurement	Carrying amount under the revised financial instrument standards (Jan. 1, 2019)
assets				
Carrying amount under the original financial instrument standards (December 31, 2018)				
Add: Transferred in from financial assets at fair value through profit or loss		1,372,280,724.27		
Carrying amount under the revised financial instrument standards (January 1, 2019)				1,372,280,724.27
Financial assets at fair value through profit or loss				
Carrying amount under the original financial instrument standards (December 31, 2018)	1,482,809,748.76			
Less: Transferred into held-for-trading financial assets		-1,372,280,724.27		
Remeasurement: Derecognition			-110,529,024.49	
Carrying amount under the revised financial instrument standards (January 1, 2019)				
Other non-current financial assets				
Carrying amount under the original financial instrument standards (December 31, 2018)				
Add: Transferred in from other non-current assets		890,000,000.00		
Add: Transferred in from available-for-sale financial assets		7,457,543,725.24		
Remeasurement			221,208,206.21	
Carrying amount under the revised financial instrument standards (January 1, 2019)				8,568,751,931.45
Total financial assets at fair value through profit or loss	1,482,809,748.76	8,347,543,725.24	110,679,181.72	9,941,032,655.72
c. Measured at fair value through other comprehensive income				
Available-for-sale financial assets				
Carrying amount under the original financial instrument standards (December 31, 2018)	9,698,952,470.46			
Less: Transferred into other non-current financial assets		-7,457,543,725.24		
Less: Transferred into other equity instruments		-2,241,408,745.22		
Carrying amount under the revised financial instrument				

Items	Carrying amount under the original financial instrument standards (Dec. 31, 2018)	Reclassification	Remeasurement	Carrying amount under the revised financial instrument standards (Jan. 1, 2019)
standards (January 1, 2019)				
Other equity instrument investments				
Carrying amount under the original financial instrument standards (December 31, 2018)				
Add: Transferred in from available-for-sale financial assets		2,241,408,745.22		
Carrying amount under the revised financial instrument standards (January 1, 2019)				2,241,408,745.22
Total financial assets at fair value through other comprehensive income	9,698,952,470.46	-7,457,543,725.24		2,241,408,745.22
B. Financial liabilities				
a. Measured at amortized cost				
Short-term borrowings				
Carrying amount under the original financial instrument standards (December 31, 2018)	2,941,084,000.00			
Add: Transferred in from other financial liabilities		4,268,956.80		
Carrying amount under the revised financial instrument standards (January 1, 2019)				2,945,352,956.80
Notes payable	110,000,000.00			110,000,000.00
Accounts payable	2,014,218,064.83			2,014,218,064.83
Other payables				
Carrying amount under the original financial instrument standards (December 31, 2018)	2,594,545,482.09			
Less: Transferred into financial liabilities at amortized cost		-707,487,643.77		
Remeasurement: Derecognition			-2,320,701.76	
Carrying amount under the revised financial instrument standards (January 1, 2019)				1,884,737,136.56
Non-current liabilities due within one year				
Carrying amount under the original financial instrument standards (December 31, 2018)	16,580,842,380.22			

Items	Carrying amount under the original financial instrument standards (Dec. 31, 2018)	Reclassification	Remeasurement	Carrying amount under the revised financial instrument standards (Jan. 1, 2019)
Add: Transferred in from other financial liabilities		664,052,659.57		
Carrying amount under the revised financial instrument standards (January 1, 2019)				17,244,895,039.79
Other current liabilities - Short-term bonds payable				
Carrying amount under the original financial instrument standards (December 31, 2018)	1,858,755,156.02			
Add: Transferred in from other financial liabilities		39,166,027.40		
Carrying amount under the revised financial instrument standards (January 1, 2019)				1,897,921,183.42
Long-term borrowings	40,448,810,942.80			40,448,810,942.80
Bonds payable				
Carrying amount under the original financial instrument standards (December 31, 2018)	17,800,081,947.57			
Remeasurement: Derecognition			-116,674,400.00	
Carrying amount under the revised financial instrument standards (January 1, 2019)				17,683,407,547.57
Other non-current liabilities - financial institutions borrowings	2,539,100,000.00			2,539,100,000.00
Total financial liabilities at amortized cost	85,628,682,817.51		-118,995,101.76	85,509,687,715.75

④ On January 1, 2019 the reconciliation statement on the provision for impairment of the financial assets under revised financial instrument standards is as follows:

Items	Provision for impairment made under original financial instrument standard/ Provisions recognized under the contingencies standard (Dec. 31, 2018)	Reclassification	Remeasurement	Provision for impairment under revised standard (Jan. 1, 2019)
Available-for-sale financial assets	62,000,000.00	-62,000,000.00		
Accounts receivable	43,528,873.86		-34,865,018.55	8,663,855.31
Other receivables	210,650,880.50		-165,460,925.64	45,189,954.86

3) The Company has adopted the revised “CASBE 7 - Non-cash Assets Exchange” since June 10, 2019, and the revised “CASBE 12 - Debt Restructuring” since June 17, 2019, and changes in

accounting policies are applicable to prospective application method.

IV. Taxes

(I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The taxable revenue from sales of goods or rendering of services	16%, 13%, 11%, 10%, 9%, 6%, 5%, 3%, etc. [Note 1]
Consumption tax	The taxable sales value	5%
Land appreciation tax	The incremental amount arising from the transfer of state-owned land use right and the buildings and structures that are constructed on the land	[Note 2]
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 20%-30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue.	1.2%, 12%
Urban maintenance and construction tax	Turnover tax payable	7%, 5%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	25%, 16.5%, 30%

Note 1: Pursuant to the "Announcement on Policies Related to Deepening VAT Reform" (Announcement of the Ministry of Finance, State Taxation Administration and General Administration of Customs numbered [2019] 39), since April 1, 2019, the original tax rates of 16% and 10% applicable to the Company are adjusted to 13% and 9%, respectively.

Note 2: Pursuant to the Temporary Regulations of the PRC on Land Appreciation Tax, the land appreciation tax is levied at four-level progressive rates from 30% to 60% based on the appreciation to deduction ratio. If the ratio is below 20% for the general living housing properties, the land appreciation tax is exempted. Pursuant to the relevant requirements, the Company's subsidiaries which have housing property development business shall accrue and withhold land appreciation tax at certain rate (2%-4%, certain stores at 5%) of housing property sales revenue and advances received housing payment, and liquidate when projects reach liquidation conditions.

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
The Company	25%
香港新湖投资有限公司 (Hong Kong Xinhu Investment Co., Ltd.*)	16.5%
泰昌投资有限公司 (Taichang Investment Co., Ltd.*)	[Note 1]

* *The English names are for identification purpose only.*

Taxpayers	Income tax rate
香港新澳投资有限公司 (Hong Kong Xin'ao Investment Co., Ltd.*)	16.5%
香港冠盛投资有限公司 (Hong Kong Guansheng Investment Co., Ltd.*)	16.5%
澳洲兴澳投资有限公司 (Australia Xing'ao Investment Co., Ltd.*)	30%
Xinhu (BVI) Holding Company Limited	[Note 1]
Xinhu (BVI) 2018 Holding Company Limited	[Note 1]
Xinhu (Oversea) 2017 Investment Company Limited	[Note 1]
Total Partner Global Limited	[Note 1]
Summit Idea Limited	[Note 1]
泰信控股有限公司 (Taixin Holdings Co., Ltd.*)	[Note 2]
泰融控股有限公司 (Tairong Holdings Co., Ltd.*)	[Note 2]
冠宏投资有限公司 (Guanhong Investment Co., Ltd.*)	[Note 2]
冠瑞投资有限公司 (Guanrui Investment Co., Ltd.*)	[Note 1]
浙江新湖智脑投资管理合伙企业（有限合伙） (Zhejiang Xinhu Zhinao Investment Management Partnership (LP)*)	[Note 3]
Taxpayers other than the above-mentioned	25%

Note 1: They are registered in the British Virgin Islands, and bear no income tax as foreign companies.

Note 2: They are registered in Cayman Islands, and bear no income tax as foreign companies.

Note 3: It is a limited partnership entity, and bears no income tax.

V. Notes to items of consolidated financial statements

Remarks: "Opening balance" in this report refers to balances as at January 1, 2019 after the adjustment on balances as at December 31, 2018 under the revised financial instrument standards.

(I) Notes to items of the consolidated balance sheet

1. Cash and bank balances

(1) Details

Items	Closing balance	Opening balance
Cash on hand	819,740.13	971,251.66
Cash in bank	12,598,066,209.16	13,896,050,743.76
Other cash and bank balances	2,091,320,427.22	2,120,962,807.69
Total	14,690,206,376.51	16,017,984,803.11
Including: Deposited overseas	2,824,823,477.35	2,537,893,369.24

(2) Other remarks

At the end of the period, closing balance of 2,164,564,271.19 yuan was with use restrictions, including time deposit for pledge in cash in bank amounting to 127,030,000.00 yuan, and others amounting to 450,554.39 yuan. Other cash and bank balances included deposit for bank acceptance amounting to 200,000,000.00 yuan, deposit for bank borrowings amounting to 1,683,836,668.82 yuan, mortgage deposit amounting to 97,217,029.49 yuan, deposit for commencement amounting to 4,652,890.39 yuan and others amounting to 51,377,128.10 yuan.

2. Held-for-trading financial assets

Items	Closing balance	Opening balance [Note]
Financial assets classified as at fair value through profit or loss	1,944,633,509.35	1,372,280,724.27
Including: Debt instrument investments		55,106,691.76
Equity instrument investments	309,785.14	84,372,653.11
Fund and asset management plans	1,944,323,724.21	1,232,801,379.40
Total	1,944,633,509.35	1,372,280,724.27

Note: For details of the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to section III (XXXI) 1 (1) 2) of notes to financial statement.

3. Notes receivable

Endorsed or discounted but undue notes at the balance sheet date

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	334,990,000.00	
Subtotal	334,990,000.00	

Due to the fact that the acceptor of bank acceptance is commercial bank, which is of high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact, the Company derecognized the endorsed or discounted bank acceptance. However, if any bank acceptance is not recoverable when it is due, the Company still holds joint liability on such acceptance, according to the China Commercial Instrument Law.

4. Accounts receivable

(1) Details

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis	55,033,993.75	100.00	9,768,127.46	17.75	45,265,866.29
Total	55,033,993.75	100.00	9,768,127.46	17.75	45,265,866.29

(Continued)

Categories	Opening balance [Note]				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	885,344,514.35	100.00	8,663,855.31	0.98	876,680,659.04
Total	885,344,514.35	100.00	8,663,855.31	0.98	876,680,659.04

Note: For details of the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to section III (XXXI) 1 (1) 2) of notes to financial statement.

2) Accounts receivable with provision for bad debts made on a collective basis

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Not overdue	37,300,072.99		
Overdue within 1 year	1,966,970.97	78,678.84	4.00
Overdue 1-2 years	964,573.98	77,165.92	8.00
Overdue 2-3 years	5,865,943.00	1,173,188.60	20.00
Overdue 3-5 years	994,677.43	497,338.72	50.00
Overdue over 5 years	7,941,755.38	7,941,755.38	100.00
Subtotal	55,033,993.75	9,768,127.46	17.75

(2) Changes in provision for bad debts

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Written-off	Others	
Receivables with provision made on an individual basis								
Receivables with provision made on a collective basis	8,663,855.31	1,104,272.15						9,768,127.46
Subtotal	8,663,855.31	1,104,272.15						9,768,127.46

(3) Details of the top 5 debtors with largest balances

Closing balance of top 5 debtors totaled 45,948,855.00 yuan, accounting for 83.49% of the total closing balance of accounts receivable, and provision for bad debts made thereon totaled

7,940,327.00 yuan.

5. Advances paid

(1) Age analysis

1) Details

Ages	Closing balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year	101,417,129.05	47.08		101,417,129.05
1-2 years	749,698.26	0.35		749,698.26
2-3 years	100,873,273.60	46.83		100,873,273.60
3-5 years	457,782.01	0.21		457,782.01
Over 5 years	11,899,493.97	5.52		11,899,493.97
Total	215,397,376.89	100.00		215,397,376.89

(Continued)

Ages	Opening balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year	43,089,015.23	21.40		43,089,015.23
1-2 years	103,868,541.22	51.58		103,868,541.22
2-3 years	17,614,903.82	8.75		17,614,903.82
3-5 years	35,962,974.20	17.86		35,962,974.20
Over 5 years	829,493.97	0.41		829,493.97
Total	201,364,928.44	100.00		201,364,928.44

2) Reasons for unsettlement on advances paid with age over one year and significant amount

Debtors	Closing balance	Reasons for unsettlement
Land Reserve Center of Jing'an District, Shanghai	100,000,000.00	Advanced payments for demolition
Bureau of Finance of Qidong	11,070,000.00	Advanced handling fees
Subtotal	111,070,000.00	

(2) Details of the top 5 debtors with largest balances

Closing balance of top 5 debtors totaled 180,375,154.00 yuan, accounting for 83.74% of the total closing balance of advances paid.

6. Other receivables

(1) Details

1) Details on categories

Categories	Closing balance		
	Book balance	Provision for bad debts	Carrying

	Amount	% to total	Amount	Provision proportion (%)	amount
Receivables with provision made on an individual basis					
Including: Dividend receivable					
Other receivables					
Receivables with provision made on a collective basis	6,927,873,826.88	100.00	46,668,163.00	0.67	6,881,205,663.88
Including: Dividend receivable					
Other receivables	6,927,873,826.88	100.00	46,668,163.00	0.67	6,881,205,663.88
Total	6,927,873,826.88	100.00	46,668,163.00	0.67	6,881,205,663.88

(Continued)

Categories	Closing balance [Note]				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Including: Dividend receivable					
Other receivables					
Receivables with provision made on a collective basis	3,050,513,956.51	100.00	45,189,954.86	1.48	3,005,324,001.65
Including: Dividend receivable					
Other receivables	3,050,513,956.51	100.00	45,189,954.86	1.48	3,005,324,001.65
Total	3,050,513,956.51	100.00	45,189,954.86	1.48	3,005,324,001.65

Note: For details of the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to section III (XXXI) 1 (1) 2) of notes to financial statement.

2) Other receivables with provision made on a collective basis

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio of low risk	6,747,650,888.35	6,809,736.18	0.10
Portfolio grouped with other balances	180,222,938.53	39,858,426.82	22.12
Including: Within one year	109,988,882.47	4,399,555.30	4.00
1-2 years	14,810,288.87	1,184,823.10	8.00
2-3 years	12,522,212.81	2,504,442.56	20.00
3-5 years	22,263,897.07	11,131,948.55	50.00
Over 5 years	20,637,657.31	20,637,657.31	100.00
Subtotal	6,927,873,826.88	46,668,163.00	0.67

(2) Age analysis

Items	Closing book balance
Within 1 year	4,645,038,839.35
1-2 years	2,121,086,765.02
2-3 years	38,528,357.23
3-5 years	77,861,279.49
Over 5 years	45,358,585.79
Total	6,927,873,826.88

(3) Changes in provision for bad debts

1) Details

Items	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	3,550,903.48	41,639,051.38		45,189,954.86
Including:	——	——	——	
--Transferred to phase II	-1,001,777.02	1,001,777.02		
--Transferred to phase III				
--Reversed to phase II				
--Reversed to phase I				
Provision made in the current period	3,053,961.82	-1,544,043.80		1,509,918.02
Provision recovered in current period				
Provision reversed in current period				
Provision written-off in current period		13,000.00		13,000.00
Other changes	-18,709.88			-18,709.88
Closing balance	5,584,378.40	41,083,784.60		46,668,163.00

(4) Other receivables written off in current period

Other receivables actually written off in current period totaled 13,000.00 yuan, of which, 18,709.88 yuan was decreased due to changes in the scope of consolidation.

(5) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Security deposit	241,402,748.59	187,208,471.92
Current accounts	3,458,531,003.68	2,674,966,192.55
Equity transfer and debt assignment payment	3,017,365,708.05	47,040,000.00
Temporary advance payment receivable	133,898,112.26	126,323,972.41
Others	76,676,254.30	14,975,319.63
Total	6,927,873,826.88	3,050,513,956.51

(6) Details of the top 5 debtors with largest balances

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
融创房地产集团有限公司 (Sunac Real Estate Group Co., Ltd.*)	Debt assignment payment	3,017,132,708.05	Within 1 year	43.55	
新湖控股有限公司 (Xinhu Holdings Co., Ltd.*)	Current accounts	2,856,640,555.52	0-2 years	41.23	
上海逸合投资管理有限公司 (Shanghai Yihe Investment Management Co., Ltd.*)	Current accounts	358,466,220.58	0-2 years	5.17	3,006,245.68
恩施裕丰房地产开发有限公司 (Enshi Yufeng Real Estate Development Co., Ltd.*)	Current accounts	131,036,146.98	0-2 years	1.89	
嘉兴新湖中房置业有限公司 (Jiaxing Xinhu CRED Real Estate Co., Ltd.*)	Prepayment for capital reduction	63,700,000.00	Within 1 year	0.92	
Subtotal		6,426,975,631.13		92.76	3,006,245.68

7. Inventories

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw materials	19,380.00		19,380.00	114,471.00		114,471.00
Development cost	62,529,756,049.62		62,529,756,049.62	64,428,765,472.20	12,957,990.93	64,415,807,481.27
Goods on hand	799,997.45	417,033.77	382,963.68	801,447.25	417,033.77	384,413.48
Developed products	6,267,280,747.01	82,020,504.48	6,185,260,242.53	6,004,153,025.63	68,340,431.85	5,935,812,593.78
Low-value consumables	1,826,732.89		1,826,732.89	1,895,802.54		1,895,802.54
TV and movie scripts	1,170,000.00	1,170,000.00		1,170,000.00	1,170,000.00	
Total	68,800,852,906.97	83,607,538.25	68,717,245,368.72	70,436,900,218.62	82,885,456.55	70,354,014,762.07

(2) Provision for inventory write-down

1) Details

Items	Opening balance	Increase		Decrease		Closing balance
		Provision	Others	Reversal or written-off	Others	
Development cost	12,957,990.93		-12,957,990.93			
Goods on hand	417,033.77					417,033.77
Developed products	68,340,431.85	30,081,014.67	12,957,990.93	29,358,932.97		82,020,504.48
TV and movie scripts	1,170,000.00					1,170,000.00
Subtotal	82,885,456.55	30,081,014.67		29,358,932.97		83,607,538.25

2) Determination basis of net realizable value and reasons for the reversal or written-off of provision for inventory write-down

The Company made provision for inventory write-down based on current market price and actual

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sales condition after conducting test on net realizable value.

Selling price adopted in calculating net realizable value of inventories is divided into selling price of the pre-sold and that of the unsold. Selling price of the pre-sold is determined by the actual contract price, while selling price of the unsold is determined based on the recent average contract price and the market price of similar products.

Reversal of provision in current period is due to rise of market price of commodity houses, resulting in the net realizable value of inventory higher than the cost of inventory. Provision written-off in current period is due to sales in current period.

(3) Other remarks

1) Closing balance of inventories includes capitalization amount of borrowing costs totaling 13.26 billion yuan.

2) Inventories – Development cost

Projects	Commencement date	Estimated completion date	Estimated total investment (in ten thousand yuan)	Opening balance	Closing balance
Shenyang • Xianlin Golden Valley	Year 2009	Year 2025	259,000	596,486,046.22	670,073,250.75
Shenyang • Spring of the North Phase VII	Year 2010	Completed		307,560,581.22	
Tianjin • Shangri-la	Year 2009	Completed		227,683,837.29	
Shenyang • Xinhu Bay	Year 2014	Year 2025	230,000	728,085,133.68	810,983,955.58
Shenyang • Xinhu Garden	Year 2014	Completed		316,465,154.24	
Binzhou • Xinhu Rose Garden	Year 2009	Year 2021	52,000	145,408,159.03	291,893,626.60
Suzhou • Pearl City	Year 2006	Year 2022	930,000	2,056,641,106.08	507,805,036.66
Shanghai • Qinlan International	Year 2012	Year 2023	1,083,584	3,803,026,050.29	4,311,425,198.08
Rui'an • Gold & Silver Plaza Apartment	Year 2015	Completed		355,845,500.74	
Nantong Qiyang • Pearl Over Sea	[Note 1]	[Note 1]	286,000	250,430,087.68	312,421,227.98
Nantong Xinhu • Pearl Over Sea	Year 2014	Year 2024	420,000	1,050,969,931.68	1,854,022,992.23
Nantong Qixin • Pearl Over Sea	Year 2019	Year 2025	809,000	1,322,944,143.84	1,631,399,395.22
Nantong Qiren • Pearl Over Sea	[Note 3]	[Note 3]		534,669,316.76	
Hangzhou • Golden Childhood	Year 2014	Year 2022	140,000	261,800,988.17	426,420,114.44
Hangzhou • Shangri-la	Year 2004	Year 2023	411,475	1,102,651,864.39	1,351,358,269.10
Quzhou • Xinhu Jingcheng	Year 2004	Completed		563,605,246.17	
Hangzhou • Xinhu Guoling	Year 2007	Year 2020	334,781	490,051,259.57	736,800,284.72
Lanxi • Shangri-la	Year 2010	Year 2023	282,283	621,309,949.11	678,179,815.13
Pingyang • Siji Guoling	Year 2016	Year 2022	45,000	199,607,252.57	274,960,223.15
Shanghai • Xinhu Pearl City	Year 2002	Year 2023	950,000	3,729,235,589.47	4,306,113,305.53
Comprehensive renovation project of shoreline of Yuantuojiao in Qidong	[Note 2]	[Note 2]	190,000	518,532,899.09	585,920,396.91

Projects	Commencement date	Estimated completion date	Estimated total investment (in ten thousand yuan)	Opening balance	Closing balance
Jiujiang • Lushan International	Year 2010	Year 2020	404,000	553,803,726.75	207,643,306.50
Jiaxing • Xinzhong Garden	Year 2012	Year 2020	318,500	1,196,293,615.41	1,633,638,573.93
Development of coastal bottomland in Pingyang	[Note 2]	[Note 2]	1,020,000	3,022,716,322.88	3,136,638,708.91
Tianjin • Yiwu Trade Center	Year 2011	Year 2023	370,000	1,790,652,574.90	599,656,151.41
Tianjin • Xinhu Meilizhou	Year 2017	Year 2020	70,000	365,445,823.75	518,923,242.83
Rui'an • Xinhu Square	Year 2015	Year 2021	527,986	2,568,312,655.77	2,298,535,971.85
Pingyang • Weicheng Estate	[Note 1]	[Note 1]	565,790	2,610,419,946.17	2,751,654,670.98
Pingyang • Longheng Estate	[Note 3]	[Note 3]		3,965,011,695.32	
Pingyang • Anrui Estate	[Note 1]	[Note 1]	322,064	1,702,592,090.54	1,781,593,331.33
Pingyang • Baorui Estate	[Note 1]	[Note 1]	347,134	1,354,774,059.36	1,453,317,490.68
Pingyang • Longrui Estate	[Note 1]	[Note 1]	328,816		1,418,639,550.27
Mabao Project in Shanghai	[Note 3]	[Note 3]		4,596,907,265.93	
Tianhong Project in Shanghai	[Note 1]	[Note 1]	821,620	4,604,167,703.79	5,230,843,811.76
Yalong Project in Shanghai	[Note 1]	[Note 1]	3,190,300	12,047,025,501.14	16,916,558,399.62
Hangzhou • Future Xinhu Center	Year 2018	Year 2023	166,400	226,872,853.20	428,343,803.56
Wenling • Shuangxi Spring	Year 2017	Year 2020	310,507	2,002,046,077.50	2,354,941,708.45
Wenling • Jiulong Spring	Year 2018	Year 2021	291,313	1,708,576,006.51	1,973,924,526.94
Mantianxing Project in Sanya	Year 2019	Year 2023	250,000	930,137,455.99	1,075,125,708.52
Subtotal				64,428,765,472.20	62,529,756,049.62

Note 1: These seven projects are still in early development stage, and closing balance thereof is mainly the cost of early development.

Note 2: These two projects are coastal development projects.

Note 3: These three projects have already transferred their equity, and the Company will no longer include them in the consolidated statements.

3) Inventories – Developed products

Projects	Completion time	Opening balance	Increase	Decrease	Closing balance
Shenyang • Spring of the North [Note 1]	Year 2007 - Year 2019	145,651,347.44	371,115,010.89	413,137,323.93	103,629,034.40
Shenyang • Xinhu Garden	Year 2016 – Year 2019	39,039,522.42	363,691,234.68	399,581,528.44	3,149,228.66
Shenyang • Xianlin Golden Valley [Note 2]	Year 2013 - Year 2018	202,293,213.28	4,291,101.81	47,936,075.89	158,648,239.20
Tianjin • Shangri-la	Year 2010 - Year 2019	56,994,880.47	240,995,771.14	5,018,128.29	292,972,523.32
Garage of Xinhu Real Estate	Year 2008	494,695.00			494,695.00
Huzhou • Longxi Court	Year 2004	31,926,368.92			31,926,368.92
Hangzhou • Shangri-la [Note 2]	Year 2008 - Year 2017	533,109,812.61	5,944,556.00	80,338,281.85	458,716,086.76

Projects	Completion time	Opening balance	Increase	Decrease	Closing balance
Quzhou • Xinhu Jingcheng [Note 1]	Year 2007 - Year 2019	631,237,066.35	979,777,957.75	986,412,266.95	624,602,757.15
Jiujiang • Chaisang Spring [Note 2]	Year 2006 - Year 2016	158,895,166.87	1,420,914.38	89,830,544.17	70,485,537.08
Hangzhou • Xinhu Guoling [Note 2]	Year 2010 - Year 2017	194,761,598.86	5,728,677.45	51,946,368.74	148,543,907.57
Binzhou • Xinhu Rose Garden [Note 2]	Year 2012 - Year 2014	35,109,087.64	119,117.05	2,576,551.29	32,651,653.40
Tai'an • Xinhu Green Garden [Note 2]	Year 2011 - Year 2017	22,351,148.94	142,003.80	21,285,231.02	1,207,921.72
Suzhou • Pearl City [Note 1]	Year 2008 - Year 2019	139,458,137.76	2,262,008,731.66	2,212,572,705.09	188,894,164.33
Shanghai • Xinhu Pearl City [Note 2]	Year 2005 - Year 2015	165,991,865.71	20,058,665.32	10,463,662.30	175,586,868.73
Lanxi • Shangri-la [Note 1]	Year 2013 - Year 2019	194,435,395.72	184,908,744.07	200,914,969.93	178,429,169.86
Jiujiang • Lushan International	Year 2013 - Year 2019	732,779,617.06	638,294,624.31	915,951,819.55	455,122,421.82
Hangzhou • Wulin International [Note 2]	Year 2014 - Year 2017	315,301,506.02	-7,044,149.13	52,369,671.16	255,887,685.73
Lishui • Xinhu International [Note 2]	Year 2014 - Year 2018	137,603,770.93	1,465,744.28	63,819,134.41	75,250,380.80
Tianjin • Yiwu Trade Center	Year 2014 - Year 2019	293,066,543.65	1,387,514,667.46	89,772,319.63	1,590,808,891.48
Zhoushan • Yujing International	Year 2016	850,285,027.83		210,200,979.29	640,084,048.54
Yueqing • Haide Garden [Note 2]	Year 2016 - Year 2018	262,031,111.63	95,780,195.13	310,608,330.26	47,202,976.50
Jiaxing • Xinzhong Garden [Note 2]	Year 2016 - Year 2017	80,462,618.62	-514,055.22	43,376,605.06	36,571,958.34
Shanghai • Qinglan International [Note 2]	Year 2017	685,782,387.96	-22,347,442.54	67,321,324.90	596,113,620.52
Rui'an • Xinhu Square	Year 2018- Year 2019	95,091,133.94	918,044,985.75	921,279,264.31	91,856,855.38
Rui'an • Gold & Silver Plaza Apartment	Year 2019		455,436,194.58	446,992,442.78	8,443,751.80
Subtotal		6,004,153,025.63	7,906,833,250.62	7,643,705,529.24	6,267,280,747.01

Note 1: Increase of Shenyang • Spring of the North, Quzhou • Xinhu Jingcheng, Suzhou • Pearl City and Lanxi • Shangri-la amounting to 53,563,232.95 yuan was transferred in from investment property.

Note 2: Increases of Shenyang • Xianlin Golden Valley and other projects were adjustments of temporary estimated cost.

8. Non-current assets due within one year

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Trust protection fund	27,800,000.00		27,800,000.00	20,676,000.00		20,676,000.00
Total	27,800,000.00		27,800,000.00	20,676,000.00		20,676,000.00

9. Other current assets

Items	Closing balance	Opening balance [Note]
Prepaid expenses	76,650,224.95	116,457,419.71
Prepaid taxes related to housing presale	885,352,743.09	815,052,384.77
Input VAT to be credited	315,081,762.59	153,540,056.15
Trust protection fund	11,028,000.00	2,670,000.00
Others	34,846,200.00	6,852,010.65
Total	1,322,958,930.63	1,094,571,871.28

Note: For details of the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to section III (XXXI) 1 (1) 2) of notes to financial statement.

10. Long-term equity investments

(1) Categories

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in associates	34,929,043,511.51		34,929,043,511.51	31,929,932,590.96		31,929,932,590.96
Total	34,929,043,511.51		34,929,043,511.51	31,929,932,590.96		31,929,932,590.96

(2) Details

Investees	Opening balance [Note]	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Joint ventures					
杭州湖新投资有限公司 (Hangzhou Huxin Investment Co., Ltd.*)					
杭州新想投资管理有限公司 (Hangzhou Xinxiang Investment Management Co., Ltd.*)					
Subtotal					
Associates					
Xinhu Holdings Co., Ltd.	2,294,500,296.30			-125,803,414.97	-8,609,985.54
内蒙古合和置业有限公司 (Inner Mongolia Hehe Real Estate Co., Ltd.*)	10,920,350.62		8,000,000.00	15,924,429.16	
盛京银行股份有限公司 (Shengjing Bank Co., Ltd.*, hereinafter referred to as “Shengjing Bank”)	2,971,351,706.69			274,979,234.00	-37,516,226.83

* *The English names are for identification purpose only.*

Investees	Opening balance [Note]	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
甘肃西北矿业集团有限公司 (Gansu Northwest Mining Group Co., Ltd.*)	684,641,778.72			-4,957,673.28	
温州银行股份有限公司 (Bank of Wenzhou Co., Ltd.*, hereinafter referred to as “Bank of Wenzhou”)	2,221,445,001.71			125,776,836.86	17,533,209.73
江苏新湖宝华置业有限公司 (Jiangsu Xinhu Baohua Real Estate Co., Ltd.*)	285,158,287.02			10,306,229.72	
中信银行股份有限公司 (China CITIC Bank Co., Ltd.*, hereinafter referred to as “China CITIC Bank”)	20,081,318,649.02			2,333,789,799.50	104,579,265.96
通卡联城网络科技有限公司 (Tongka Liancheng Network Technology Co., Ltd.*)	33,315,567.42			-4,073,801.62	
新湖期货有限公司 (Xinhu Futures Co., Ltd.*)	369,142,272.51			10,549,356.82	33,807.08
恩施裕丰房地产开发有限公司 (Enshi Yufeng Real Estate Development Co., Ltd.*)	29,297,507.16			-4,435,755.12	
杭州谐云科技有限公司 (Hangzhou Harmony Cloud Technology Co., Ltd.*)	24,295,596.02			-1,907,097.64	
浙江邦盛科技有限公司 (Zhejiang Bangsun Technology Co., Ltd.*, hereinafter referred to as “Bangsun Technology”)	235,813,883.36	123,580,751.00		-1,057,393.98	
杭州趣链科技有限公司 (Hangzhou Hyperchain Technologies Co., Ltd.*)	471,654,869.03	600,370,197.00		1,235,956.76	
上海趣美信息技术有限公司 (Shanghai Qumei Information Technology Co., Ltd.*, hereinafter referred to as “Qumei Information”)	30,427,725.99			-3,243,064.34	
万得信息技术股份有限公司 (Wind Information Co., Ltd.*, hereinafter referred to as “Wind Information”)	1,579,949,203.67			112,928,513.42	3,119,124.35
ASIA PACIFIC EXCHANGE PTE LTD.	522,989,821.71			-28,442,515.50	
青岛精确芯元投资合伙企业(有限合伙) (Qingdao Jingque Xinyuan Investment Partnership (LP)*)	83,710,074.01			129,999,905.83	
杭州易现先进科技有限公司 (Hangzhou Yixian Advanced Technology Co., Ltd.*)		22,857,143.00		-1,692,569.74	
杭州宏华数码科技股份有限公司 (Hangzhou Honghua Digital Technology Co., Ltd.*)		500,000,000.00		10,954,647.82	
Subtotal	31,929,932,590.96	1,246,808,091.00	8,000,000.00	2,850,831,623.70	79,139,194.75
Total	31,929,932,590.96	1,246,808,091.00	8,000,000.00	2,850,831,623.70	79,139,194.75

* *The English names are for identification purpose only.*

(Continued)

Investees	Increase/Decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/ Profit declared for distribution	Provision for impairment	Others		
Joint ventures						
Hangzhou Huxin Investment Co., Ltd.						
Hangzhou Xinxiang Investment Management Co., Ltd.						
Subtotal						
Associates						
Xinhu Holdings Co., Ltd.	64,930.37				2,160,151,826.16	
Inner Mongolia Hehe Real Estate Co., Ltd.					18,844,779.78	
Shengjing Bank	-461,192,336.22	36,000,000.00			2,711,622,377.64	
Gansu Northwest Mining Group Co., Ltd.					679,684,105.44	
Bank of Wenzhou					2,364,755,048.30	
Jiangsu Xinhu Baohua Real Estate Co., Ltd.		58,423,076.92			237,041,439.82	
China CITIC Bank		562,640,950.00			21,957,046,764.48	
Tongka Liancheng Network Technology Co., Ltd.	9,877,646.05				39,119,411.85	
Xinhu Futures Co., Ltd.					379,725,436.41	
Enshi Yufeng Real Estate Development Co., Ltd.					24,861,752.04	
Hangzhou Harmony Cloud Technology Co., Ltd.					22,388,498.38	
Bangsun Technology	18,310,040.91				376,647,281.29	
Hangzhou Hyperchain Technologies Co., Ltd.					1,073,261,022.79	
Qumei Information					27,184,661.65	
Wind Information	-62,989,876.55	27,052,357.20			1,605,954,607.69	
ASIA PACIFIC EXCHANGE PTE LTD.				8,290,473.10	502,837,779.31	
Qingdao Jingque Xinyuan Investment Partnership (LP)					213,709,979.84	
Hangzhou Yixian Advanced Technology Co., Ltd.					21,164,573.26	
Hangzhou Honghua Digital Technology Co., Ltd.	2,087,517.56				513,042,165.38	
Subtotal	-493,842,077.88	684,116,384.12		8,290,473.10	34,929,043,511.51	
Total	-493,842,077.88	684,116,384.12		8,290,473.10	34,929,043,511.51	

Note: For the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to section III (XXXI) 1(1) 2) and section XIV (I) of notes to financial statement.

11. Other equity instrument investments

(1) Details

Items	Closing balance	Opening balance [Note]	Dividend income	Accumulated amount of gains or losses transferred from other comprehensive income to retained earnings	
				Amount	Reasons
国投瑞银-新湖中宝境外投资资产管理计划 (SDIC UBS - Xinhu Zhongbao Overseas Investment Asset Management Plan*)	7,893,233.24	100,355,787.80			
国投瑞银新湖中宝境外资产配置 1 号资管计划 (SDIC UBS Xinhu Zhongbao Overseas Asset Allocation No. 1 Asset Management Plan*)	20,190.33	138,783,546.42			
浙江浙商产融股权投资基金合伙企业(有限合伙) (Zhejiang Zheshang Industrial and Financial Investment Partnership (LP)*)	2,000,000,000.00	2,000,000,000.00			
上海钻石交易所有限公司 (Shanghai Diamond Exchange Co., Ltd.*)	1,958,852.00	1,958,852.00			
宁波钱潮涌鑫投资管理合伙企业(有限合伙) (Ningbo Qianchao Yongxin Investment Management Partnership (LP)*)	310,559.00	310,559.00			
重庆中新融辉投资中心(有限合伙) (Chongqing Zhongxin Ronghui Investment Center (LP)*)	332,835,106.07				
Subtotal	2,343,017,940.64	2,241,408,745.22			

Note: For details of the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to section III (XXXI) 1 (1) 2) of notes to financial statement.

(2) Reasons for equity instrument investments designated as at fair value through other comprehensive income

The Company holds other equity instrument investments for non-trading purposes, and irrevocably designates them as financial assets at fair value through other comprehensive income.

12. Other non-current financial assets

(1) Details

Items	Closing balance	Opening balance
Financial assets classified as at fair value through profit or loss	8,400,632,122.95	8,568,751,931.45
Including: Equity instrument investments	7,094,470,506.79	7,678,751,931.45
Debt instrument investments	1,306,161,616.16	890,000,000.00
Total	8,400,632,122.95	8,568,751,931.45

* *The English names are for identification purpose only.*

Note: For the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to section III (XXXI) 1 (1) 2) of notes to financial statement.

13. Investment property

Items	Buildings and structures	Land use right	Total
Cost			
Opening balance	1,205,263,350.70	18,889,084.83	1,224,152,435.53
Increase	728,424,125.14	51,937,270.63	780,361,395.77
1) Transferred in from inventories	728,424,125.14	51,937,270.63	780,361,395.77
Decrease	61,141,794.20	771,294.39	61,913,088.59
1) Transferred into inventories	61,141,794.20	771,294.39	61,913,088.59
Closing balance	1,872,545,681.64	70,055,061.07	1,942,600,742.71
Accumulated depreciation and amortization			
Opening balance	152,934,757.93	4,414,972.39	157,349,730.32
Increase	53,535,593.73	1,727,521.83	55,263,115.56
1) Accrual or amortization	53,535,593.73	1,727,521.83	55,263,115.56
Decrease	8,166,695.05	183,160.59	8,349,855.64
1) Transferred into inventories	8,166,695.05	183,160.59	8,349,855.64
Closing balance	198,303,656.61	5,959,333.63	204,262,990.24
Carrying amount			
Closing balance	1,674,242,025.03	64,095,727.44	1,738,337,752.47
Opening balance	1,052,328,592.77	14,474,112.44	1,066,802,705.21

14. Fixed assets

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Other equipment	Total
Cost						
Opening balance	529,347,028.04	18,132,419.83	11,635,481.82	107,832,473.27	15,757,242.24	682,704,645.20
Increase	42,985,405.50	2,866,048.00	383,029.00	8,054,856.72	1,563,668.96	55,853,008.18
1) Acquisition		2,866,048.00	383,029.00	8,054,856.72	1,563,668.96	12,867,602.68
2) Transferred in from construction in progress	18,043,816.00					18,043,816.00
3) Transferred in from inventories	24,941,589.50					24,941,589.50
Decrease	18,003,783.20	1,319,738.92		3,553,981.56	1,228,816.21	24,106,319.89
1) Disposal/scrapping	455,346.39	995,403.92		3,553,981.56	1,228,816.21	6,233,548.08
2)Transferred into inventories	17,548,436.81					17,548,436.81
3) Decrease due to		324,335.00				324,335.00

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Other equipment	Total
business combination						
Closing balance	554,328,650.34	19,678,728.91	12,018,510.82	112,333,348.43	16,092,094.99	714,451,333.49
Accumulated depreciation						
Opening balance	72,515,451.51	11,775,768.70	8,914,653.65	64,135,280.90	10,833,185.71	168,174,340.47
Increase	17,615,578.08	1,991,684.30	1,230,810.30	10,660,497.53	1,724,286.37	33,222,856.58
1) Accrual	17,615,578.08	1,991,684.30	1,230,810.30	10,660,497.53	1,724,286.37	33,222,856.58
Decrease	431,278.90	903,634.24		3,291,496.82	1,123,612.97	5,750,022.93
1) Disposal/scrapping	129,405.72	811,639.18		3,291,496.82	1,123,612.97	5,356,154.69
2) Transferred into inventories	301,873.18					301,873.18
3) Other decrease		91,995.06				91,995.06
Closing balance	89,699,750.69	12,863,818.76	10,145,463.95	71,504,281.61	11,433,859.11	195,647,174.12
Carrying amount						
Closing balance	464,628,899.65	6,814,910.15	1,873,046.87	40,829,066.82	4,658,235.88	518,804,159.37
Opening balance	456,831,576.53	6,356,651.13	2,720,828.17	43,697,192.37	4,924,056.53	514,530,304.73

15. Construction in progress

Projects	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Fengning Chenglong mining project	1,159,707.15	765,388.92	394,318.23	1,159,707.15	765,388.92	394,318.23
Xinhu Qidong Block E-22 Complex Building	13,136,064.85		13,136,064.85	240,873.63		240,873.63
Others				60,719.00		60,719.00
Total	14,295,772.00	765,388.92	13,530,383.08	1,461,299.78	765,388.92	695,910.86

16. Intangible assets

Items	Software	Franchise [Note 1]	Prospecting and mining right [Note 2]	Land use right	Parking space use right	Total
Cost						
Opening balance	5,468,372.80	131,728,841.32	173,400,353.80	20,905,509.36	1,310,000.00	332,813,077.28
Increase	157,418.04	202,476.64		2,495,707.13		2,855,601.81
1) Acquisition	157,418.04	202,476.64				359,894.68
2) Transferred in from inventories				2,495,707.13		2,495,707.13
Decrease	31,777.78					31,777.78
1) Others	31,777.78					31,777.78
Closing balance	5,594,013.06	131,931,317.96	173,400,353.80	23,401,216.49	1,310,000.00	335,636,901.31
Accumulated amortization						
Opening balance	1,927,921.29	64,876,939.07		3,847,817.82	349,333.38	71,002,011.56
Increase	615,335.90	4,189,650.18		630,750.29	43,666.68	5,479,403.05
1) Accrual	615,335.90	4,189,650.18		630,750.29	43,666.68	5,479,403.05
Decrease	12,181.49					12,181.49

Items	Software	Franchise [Note 1]	Prospecting and mining right [Note 2]	Land use right	Parking space use right	Total
1) Others	12,181.49					12,181.49
Closing balance	2,531,075.70	69,066,589.25		4,478,568.11	393,000.06	76,469,233.12
Provision for impairment						
Opening balance			114,441,572.03			114,441,572.03
Increase						
1) Accrual						
Decrease						
Closing balance			114,441,572.03			114,441,572.03
Carrying amount						
Closing balance	3,062,937.36	62,864,728.71	58,958,781.77	18,922,648.38	916,999.94	144,726,096.16
Opening balance	3,540,451.51	66,851,902.25	58,958,781.77	17,057,691.54	960,666.62	147,369,493.69

Note 1: Pursuant to the "Franchise Agreement on Running School" entered into between the Company's subsidiary 嘉兴市南湖国际教育投资有限公司 (Jiaxing Nanhu International Education Investment Co., Ltd.*) and the People's Government of Xiucheng District, Jiaxing and the People's Government of Xiuzhou District, Jiaxing, it is the franchise of running 嘉兴市南湖国际实验学校 (Jiaxing Nanhu International Experimental School*), 嘉兴高级中学 (Jiaxing Senior High School*) and 嘉兴市秀洲现代实验学校 (Jiaxing Xiuzhou Modern Experimental School*) obtained under the "Build-Operate-Transfer" (BOT) mode.

Note 2: It is the gold, silver and molybdenum ore prospecting right in Haocungou of the Company's subsidiary 丰宁承龙矿业有限公司 (Fengning Chenglong Mining Co., Ltd.*). The registration of mining right has been completed.

17. Development expenditures

Items	Opening balance	Increase		Decrease		Closing balance
		Internal development expenditures	Others	Recognized as intangible assets	Transferred to profit or loss	
Prospection of coal mine in Shaziling, Nayong County, Guizhou Province [Note]	440,956,679.06		3,894,975.09			444,851,654.15
Prospection of coal mine in Jiuyuan, Nayong County, Guizhou Province [Note]	431,930,796.21		3,980,712.41			435,911,508.62
Total	872,887,475.27		7,875,687.50			880,763,162.77

Note: These two items refer to the expenditures of the Company's subsidiary 贵州新湖能源有限公司 (Guizhou Xinhu Energy Co., Ltd.*) on prospection of coal mines in Shaziling and Jiuyuan, Nayong County, Guizhou Province.

* *The English names are for identification purpose only.*

18. Long-term prepayments

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Decoration and building improvement expenditures	22,870,785.74	10,173,370.61	7,157,032.88	1,100,549.98	24,786,573.49
Others	33,258.60		14,953.84		18,304.76
Total	22,904,044.34	10,173,370.61	7,171,986.72	1,100,549.98	24,804,878.25

19. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offset

Items	Closing balance		Opening balance [Note]	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	71,819,444.15	17,954,861.03	90,832,000.04	22,708,000.01
Deductible losses	129,731,313.30	32,432,828.32	160,975,387.14	40,243,846.78
Accrued expenses (costs)	228,341,423.56	57,085,355.89	115,070,445.28	28,767,611.32
Deductible expenses	113,522,717.16	28,380,679.29	90,346,993.08	22,586,748.27
Transferred into fixed assets as sales	429,956.44	107,489.11	478,342.52	119,585.63
Accumulative amortization of rental of developed products	78,260,019.60	19,565,004.90	59,205,574.84	14,801,393.71
Anticipated profit of presale	1,380,565,590.36	345,141,397.60	1,158,970,822.91	289,742,705.73
Provision for clearing of land appreciation tax	2,587,469,942.86	646,867,485.73	1,251,802,242.61	312,950,560.65
Others	57,224,165.40	14,306,041.35	19,776,548.72	4,944,137.18
Total	4,647,364,572.83	1,161,841,143.22	2,947,458,357.14	736,864,589.28

Note: For details of the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to section III (XXXI) 1 (1) 2) of notes to financial statement.

(2) Deferred tax liabilities before offset

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Changes in fair value of financial assets at fair value	268,020.92	67,005.23		

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
through profit or loss				
Provision for clearing of land appreciation tax			28,490,338.48	7,122,584.62
Total	268,020.92	67,005.23	28,490,338.48	7,122,584.62

(3) Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary difference	21,928,546.52	60,178,891.11
Deductible losses	469,177,318.75	482,734,120.92
Subtotal	491,105,865.27	542,913,012.03

(4) Maturity years of deductible losses of unrecognized deferred tax assets

Maturity years	Closing balance	Opening balance	Remarks
Year 2019		207,316,941.84	
Year 2020	99,893,838.08	280,026,684.18	
Year 2021	245,859,319.86	434,967,476.99	
Year 2022	276,554,784.10	288,990,524.81	
Year 2023	720,930,124.05	719,634,855.60	
Year 2024	533,471,208.79		
Subtotal	1,876,709,274.88	1,930,936,483.42	

20. Other non-current assets

Items	Closing balance	Opening balance [Note]
Prepayment for investments	24,770,355.71	814,969,668.75
Trust protection fund	7,000,000.00	25,591,000.00
Others	36,206.90	
Total	31,806,562.61	840,560,668.75

Note: For details of the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to section III (XXXI) 1 (1) 2) of notes to financial statement.

21. Short-term borrowings

Items	Closing balance	Opening balance [Note]
Pledged borrowings	693,000,000.00	395,000,000.00
Mortgaged borrowings	457,670,000.00	432,000,000.00
Guaranteed borrowings	1,296,000,000.00	753,242,607.00

Items	Closing balance	Opening balance [Note]
Credit borrowings	181,426,755.07	
Mortgaged and guaranteed borrowings	1,075,660,000.00	1,114,900,000.00
Mortgaged and pledged borrowings		60,000,000.00
Pledged and guaranteed borrowings	1,000,000.00	185,941,393.00
Guaranteed, pledged and guaranteed borrowings	250,000,000.00	
Interest payable of short-term borrowings	5,180,298.15	4,268,956.80
Total	3,959,937,053.22	2,945,352,956.80

Note: For details of the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to section III (XXXI) 1 (1) 2) of notes to financial statement.

22. Notes payable

Items	Closing balance	Opening balance
Trade acceptance	32,363,905.00	
Bank acceptance	400,000,000.00	110,000,000.00
Total	432,363,905.00	110,000,000.00

23. Accounts payable

(1) Details

Items	Closing balance	Opening balance
Payment for goods	22,291,947.76	24,497,828.28
Project funds	2,650,887,283.61	1,971,158,496.99
Others	39,214,347.82	18,561,739.56
Demolition payment	485,321,212.12	
Total	3,197,714,791.31	2,014,218,064.83

(2) As of December 31, 2019, the Company had no significant balance with age over one year.

24. Advances received

(1) Details

Items	Closing balance	Opening balance
Presale of housing properties	16,466,915,788.28	14,648,981,622.08
Advances received for shoreline development of Yuantuojiao in Qidong	180,635,181.63	229,488,815.85
Advances received for infrastructure construction of Xiwan project in Wenzhou	1,881,650,141.00	1,454,600,601.00
Others	31,017,149.46	23,912,201.73

Items	Closing balance	Opening balance
Total	18,560,218,260.37	16,356,983,240.66

(2) Significant advances received with age over one year

Significant balances with age over one year are mainly pre-sale house payments that part of subsidiaries received from customers in advance, while delivery of related houses is not yet due under contract.

(3) Presale of housing properties

Name of projects	Closing balance	Opening balance	Estimated completion date	Presale ratio (%)
Shenyang • Spring of the North Phase V-VI	10,915,090.33	6,860,942.90	Completed	97.31
Shenyang • Spring of the North Phase VII	10,633,463.24	382,999,160.03	Completed	100.00
Shenyang • Xinhu Garden	2,666,735.00	486,421,868.00	Completed	99.92
Shenyang • Xinhu Bay	326,902,598.96	146,237,041.38	Year 2025	79.63
Shenyang • Xianlin Golden Valley	255,327,777.00	14,902,297.00	Year 2025	77.16
Tianjin Xinhu • Shangri-la Phase II	77,294,221.26	78,775,025.07	Completed	62.26
Hangzhou • Shangri-la	1,306,795,021.89	147,045,414.89	Year 2023	91.23
Quzhou • Xinhu Jingcheng Phase I Lanxin Court	20,325.00		Completed	98.12
Quzhou • Xinhu Jingcheng Phase II Rose Garden	37,323,917.00	12,678,754.00	Completed	91.49
Quzhou • Xinhu Jingcheng Phase III Tulip Shire	31,543,268.00	153,758,647.00	Completed	76.24
Quzhou • Xinhu Jingcheng Phase IV Peony Garden	67,686,605.00	2,165,370,385.00	Completed	84.14
Jiujiang • Chaisang Spring	6,750,060.00	5,433,394.00	Completed	97.99
Jiujiang • Lushan International	302,033,479.00	650,295,273.50	Year 2020	90.34
Suzhou • Pearl City	1,326,232,462.00	2,507,287,038.00	Year 2022	97.13
Hangzhou • Xinhu Guoling Wuguyuan		3,564,919.00	Completed	98.66
Hangzhou • Xinhu Guoling Meishanju	2,947,569.00	13,516.00	Completed	99.38
Hangzhou • Xinhu Guoling Haoshanju	1,786,408,255.00	674,072,335.00	Year 2020	98.39
Hangzhou • Xinhu Guoling Manwuyuan	220,848,770.00		Year 2020	25.09
Shanghai • Xinhu Pearl City	37,706,293.80	41,699,893.80	Year 2023	96.25
Tai’an • Xinhu Green Garden		7,318,114.50	Completed	99.91
Binzhou • Xinhu Rose Garden	455,901,144.00	212,511,549.00	Year 2021	79.94
Lanxi • Shangri-la Phase II	174,302,216.00	246,050,055.55	Year 2020	77.05
Lanxi • Shangri-la Phase III	35,187,916.00		Year 2023	44.92
Hangzhou • Wulin International	2,000,000.00	55,022,693.00	Completed	97.69
Lishui • Xinhu International	15,008,610.48	27,030,688.96	Completed	98.70
Tianjin • Yiwu Trade Center	201,878,588.32	377,071,779.65	Year 2023	38.62
Jiaxing • Xinzhong Garden	2,167,152,012.00	914,492,809.00	Year 2020	91.08
Zhoushan • Yujing International	17,626,452.00	14,246,505.00	Completed	75.80
Yueqing • Haide Garden	1,574,978.00	37,546,291.00	Completed	99.89

Name of projects	Closing balance	Opening balance	Estimated completion date	Presale ratio (%)
Shanghai • Qinglan International	105,137,815.00	168,843,983.00	Year 2023	81.40
Rui'an • Xinhu Square	2,420,028,183.00	2,552,591,414.85	Year 2021	98.28
Rui'an • Gold & Silver Plaza Apartment	6,472,248.00	460,172,867.00	Completed	99.42
Wenling • Shuangxi Spring	3,602,024,201.00	1,916,499,315.00	Year 2020	85.21
Wenling • Jiulong Spring	617,868,746.00		Year 2021	33.89
Pingyang • Siji Guoling	266,643,085.00	126,737,260.00	Year 2022	95.73
Tianjin • Xinhu Meilizhou	288,576,180.00	55,430,392.00	Year 2020	38.96
Nantong Xinhu • Pearl Over Sea	279,497,502.00		Year 2024	24.73
Subtotal	16,466,915,788.28	14,648,981,622.08		

25. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	19,136,524.28	449,581,875.56	438,404,102.01	30,314,297.83
Post-employment benefits - defined contribution plan	2,898,961.89	27,252,891.80	29,679,649.01	472,204.68
Termination benefits		1,189,122.60	1,189,122.60	
Total	22,035,486.17	478,023,889.96	469,272,873.62	30,786,502.51

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	15,790,944.37	379,030,663.15	369,006,231.97	25,815,375.55
Employee welfare fund		31,493,719.26	31,223,719.26	270,000.00
Social insurance premium	255,507.10	14,420,119.20	14,356,086.65	319,539.65
Including: Medicare premium	210,134.45	12,664,598.77	12,607,808.61	266,924.61
Occupational injuries premium	6,619.52	548,875.53	550,461.35	5,033.70
Maternity premium	38,753.13	1,206,644.90	1,197,816.69	47,581.34
Housing provident fund	418,174.37	21,364,166.80	21,132,292.80	650,048.37
Trade union fund and employee education fund	2,645,508.24	3,246,424.55	2,658,988.73	3,232,944.06
Others	26,390.20	26,782.60	26,782.60	26,390.20
Subtotal	19,136,524.28	449,581,875.56	438,404,102.01	30,314,297.83

(3) Details of defined contribution plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium	1,735,698.59	25,995,988.50	27,276,784.83	454,902.26
Unemployment insurance premium	13,263.30	762,571.94	758,532.82	17,302.42
Company annuity payment	1,150,000.00	494,331.36	1,644,331.36	
Subtotal	2,898,961.89	27,252,891.80	29,679,649.01	472,204.68

26. Taxes and rates payable

Items	Closing balance	Opening balance
VAT	57,697,288.70	166,692,098.27
Business tax	131,965.79	131,965.79
Enterprise income tax	1,610,752,422.89	1,443,587,602.28
Individual income tax withheld for tax authorities	1,974,083.43	1,706,748.46
Urban maintenance and construction tax	4,625,622.99	11,426,656.94
Land appreciation tax	248,612,860.00	247,261,681.36
Housing property tax	2,932,544.43	2,032,824.26
Deed tax	3,915,351.41	3,915,351.41
Land use tax	3,647,458.30	4,935,892.99
Stamp duty	1,076,347.16	2,913,034.59
Education surcharge	1,998,107.62	4,926,546.18
Local education surcharge	1,354,989.01	3,397,809.91
Others	289,556.15	14,033.43
Total	1,939,008,597.88	1,892,942,245.87

27. Other payables

(1) Details

Items	Closing balance	Opening balance
Dividend payable	1,787,227.10	3,387,227.10
Other payables	4,751,021,670.57	1,881,349,909.46
Total	4,752,808,897.67	1,884,737,136.56

Note: For details of the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to Note III (XXXI) 1 (1) 2) of this financial statement.

(2) Dividend payable

Items	Closing balance	Opening balance
Dividend of ordinary shares	1,787,227.10	1,787,227.10
Dividend to be paid by subsidiaries		1,600,000.00
Subtotal	1,787,227.10	3,387,227.10

(3) Other payables

1) Details

Items	Closing balance	Opening balance
Security deposit	394,802,274.08	354,397,503.08
Call loans	3,924,576,437.45	1,106,075,714.20

Items	Closing balance	Opening balance
Equity transfer fund payable	30,000,000.00	30,000,000.00
Equity transfer fund received in advance	270,000,000.00	271,500,000.00
Temporary receipts payable	58,111,316.10	58,155,775.23
Others	73,531,642.94	61,220,916.95
Subtotal	4,751,021,670.57	1,881,349,909.46

2) Significant other payables with age over one year

Items	Closing balance	Reasons for unsettlement
杭州滨江房产集团股份有限公司 (Hangzhou Binjiang Real Estate Group Co., Ltd.*)	484,545,537.48	Borrowings from shareholders of associates
浙江古纤道新材料股份有限公司 (Zhejiang Guxiandao Industrial Fibre Co., Ltd.*)	270,000,000.00	Equity transfer fund received in advance
Subtotal	754,545,537.48	

28. Non-current liabilities due within one year

Items	Closing balance	Opening balance [Note]
Long-term borrowings due within one year	7,723,673,434.27	7,999,672,797.78
Bonds payable due within one year	8,395,484,355.76	6,940,589,582.44
Other non-current liabilities due within one year	2,000,000,000.00	1,640,580,000.00
Interest payable due within one year	624,958,110.28	664,052,659.57
Total	18,744,115,900.31	17,244,895,039.79

Note: For details of the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to section III (XXXI) 1 (1) 2) of notes to financial statement.

29. Other current liabilities

(1) Details

Items	Closing balance	Opening balance
Provision for clearing of land appreciation tax	2,601,218,178.66	1,258,755,156.02
Short-term bonds payable	400,000,000.00	600,000,000.00
Borrowings	358,600,000.00	
Accrued interest payable	29,817,413.70	39,166,027.40
Total	3,389,635,592.36	1,897,921,183.42

* *The English names are for identification purpose only.*

(2) Current period movements

Bonds	Par value	Issuing date	Maturity	Amount outstanding	Opening balance	Current period issuance	Par value interest	Premium/ Discount amortization	Current period repayment	Closing balance
19 Zhe Xinhu Zhongbao ZR001	100	1/4/2019	1 year	400,000,000.00		400,000,000.00	28,563,287.67			400,000,000.00
18 Zhe Xinhu Zhongbao ZR001	100	1/5/2018	1 year	600,000,000.00	600,000,000.00		433,972.60		600,000,000.00	
Subtotal					600,000,000.00	400,000,000.00	28,997,260.27		600,000,000.00	400,000,000.00

30. Long-term borrowings

Items	Closing balance	Opening balance
Pledged borrowings	7,121,597,694.73	6,919,911,764.18
Mortgaged borrowings	695,199,819.36	1,302,196,767.08
Guaranteed borrowings	11,509,860,000.00	12,085,834,765.40
Mortgaged and guaranteed borrowings	4,044,366,787.78	8,754,659,646.14
Pledged and guaranteed borrowings	11,722,810,000.00	11,123,208,000.00
Mortgaged, pledged and guaranteed borrowings	450,000,000.00	263,000,000.00
Total	35,543,834,301.87	40,448,810,942.80

31. Bonds payable

(1) Details

Items	Closing balance	Opening balance [Note]
15 Xinhu Bond		2,151,517,766.72
16 Xinhu 01	2,588,284,210.87	3,492,900,132.09
17 Xinhu Zhongbao MTN001		1,000,000,000.00
Asset-backed special plan of Ping'an - Xinhu Zhongbao balance payment for house purchasing		1,419,392,997.48
17 Zhenan Education ZR001	100,000,000.00	100,000,000.00
XINHU BVI N2003		4,663,748,287.35
18 Xinhu Zhongbao MTN001	1,000,000,000.00	1,000,000,000.00
18 Zhongbao 01	495,816,440.27	494,220,482.79
18 Zhongbao 02	1,791,725,619.37	1,788,978,735.28
XINHU BVI N2112	1,595,133,445.57	1,572,649,145.86
19 Xinhu 01	749,342,704.23	
19 Xinhu 03	919,152,799.84	
19 Lide 01	795,151,943.43	
19 Lide 02	795,151,943.43	
XINHU BVI N2203	1,858,388,976.87	

Items	Closing balance	Opening balance [Note]
XINHU BVI N2206	1,107,061,370.14	
Total	13,795,209,454.02	17,683,407,547.57

Note: For details of the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to section III (XXXI) 1 (1) 2) of notes to financial statement.

(2) Current period movements (not including preferred shares/perpetual bonds classified as financial liabilities)

Bonds	Par value	Issuing date	Maturity	Amount outstanding	Opening balance	Current period issuance
15 Xinhu Bond	100.00	7/23/2015	5 years	3,500,000,000.00	2,151,517,766.72	
16 Xinhu 01	100.00	5/20/2016	5 years	3,500,000,000.00	3,492,900,132.09	
17 Xinhu Zhongbao MTN001	100.00	11/7/2017	3 years	1,000,000,000.00	1,000,000,000.00	
Asset-backed special plan of Ping’an - Xinhu Zhongbao balance payment for house purchasing	100.00	11/29/2017	3 years	1,425,000,000.00	1,419,392,997.48	
17 Zhenan Education ZR001	100.00	12/8/2017	4 years	100,000,000.00	100,000,000.00	
XINHU BVI N2003	$1,000.00	3/1/2017	3 years	4,573,940,000.00	4,663,748,287.35	
18 Xinhu Zhongbao MTN001	100.00	3/29/2018	3 years	1,000,000,000.00	1,000,000,000.00	
18 Zhongbao 01	100.00	3/23/2018	4 years	500,000,000.00	494,220,482.79	
18 Zhongbao 02	100.00	9/10/2018	4 years	1,800,000,000.00	1,788,978,735.28	
XINHU BVI N2112	$1,000.00	12/20/2018	3 years	1,647,168,000.00	1,572,649,145.86	
19 Xinhu 01	100.00	9/6/2019	4 years	750,000,000.00		750,000,000.00
19 Xinhu 03	100.00	11/22/2019	4 years	920,000,000.00		920,000,000.00
19 Lide 01	100.00	11/22/2019	2 years	800,000,000.00		800,000,000.00
19 Lide 02	100.00	11/22/2019	23 months	800,000,000.00		800,000,000.00
XINHU BVI N2203	$1,000.00	3/14/2019	3 years	1,918,455,000.00		1,918,455,000.00
XINHU BVI N2206	$1,000.00	6/12/2019, 6/28/2019	3 years	1,116,192,000.00		1,116,192,000.00
Subtotal					17,683,407,547.57	6,304,647,000.00

(Continued)

Bonds	Par value interest	Premium/ Discount amortization	Current period repayment	Other decrease [Note]	Closing balance
15 Xinhu Bond	155,425,824.00	4,545,175.10		2,156,062,941.82	
16 Xinhu 01	183,280,898.62	2,867,078.78	907,483,000.00		2,588,284,210.87
17 Xinhu Zhongbao MTN001	68,000,000.00			1,000,000,000.00	
Asset-backed special plan of Ping’an - Xinhu Zhongbao balance payment for house purchasing	87,148,925.99	2,856,460.50	365,000,000.00	1,057,249,457.98	
17 Zhenan Education ZR001	6,400,000.00				100,000,000.00

Bonds	Par value interest	Premium/ Discount amortization	Current period repayment	Other decrease [Note]	Closing balance
XINHU BVI N2003	309,374,487.54	97,448,268.61	579,024,600.00	4,182,171,955.96	
18 Xinhu Zhongbao MTN001	68,000,000.00				1,000,000,000.00
18 Zhongbao 01	37,500,000.00	1,595,957.48			495,816,440.27
18 Zhongbao 02	140,400,000.00	2,746,884.09			1,791,725,619.37
XINHU BVI N2112	204,303,223.64	22,484,299.71			1,595,133,445.57
19 Xinhu 01	17,876,712.33	-657,295.77			749,342,704.23
19 Xinhu 03	7,372,602.74	-847,200.16			919,152,799.84
19 Lide 01	7,785,205.48	-4,848,056.57			795,151,943.43
19 Lide 02	7,785,205.48	-4,848,056.57			795,151,943.43
XINHU BVI N2203	170,997,838.76	9,695,976.87	69,762,000.00		1,858,388,976.87
XINHU BVI N2206	67,065,068.05	-9,130,629.86			1,107,061,370.14
Subtotal	1,538,715,992.63	123,908,862.21	1,921,269,600.00	8,395,484,355.76	13,795,209,454.02

Note: 15 Xinhu Bond, 17 Xinhu Zhongbao MTN001, Asset-backed special plan of Ping'an - Xinhu Zhongbao balance payment for house purchasing and XINHU BVI N2003 Bond have been transferred into non-current liabilities due within one year in the current period.

32. Provisions

Items	Closing balance	Opening balance	Reasons for balance
Difference arising from delivery of BOT of Jiaxing Senior High School	60,000,000.00	60,000,000.00	[Note]
Total	60,000,000.00	60,000,000.00	

Note: The subsidiary Jiaxing Nanhu International Education Investment Co., Ltd. chooses BOT to build Jiaxing Senior High School (including Jiaxing Xiuzhou Modern Experimental School). Pursuant to the "Franchise Agreement on Running School" and "Notice on Assets Delivery of Jiaxing Senior High School", the amount of assets delivered in the future by Jiaxing Nanhu International Education Investment Co., Ltd. should be 60 millon yuan more than that of net assets taken over. Such difference is the Company's current obligation and is recognized as provisions.

33. Deferred income

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Government grants	257,796,574.58	1,600,000.00	88,961,360.36	170,435,214.22
Total	257,796,574.58	1,600,000.00	88,961,360.36	170,435,214.22

(2) Details of government grants

Items	Opening balance	Increase	Grants included into profit or loss	Decrease [Note]	Closing balance	Related to assets/income
Land arrangement compensation	28,950,666.67				28,950,666.67	Related to assets
Engineering subsidy	7,985,000.00	1,000,000.00			8,985,000.00	Related to assets
Deed tax refund	218,861,205.00			88,675,005.00	130,186,200.00	Related to assets
Education construction subsidy	1,999,702.91	600,000.00	286,355.36		2,313,347.55	Related to assets
Subtotal	257,796,574.58	1,600,000.00	286,355.36	88,675,005.00	170,435,214.22	

Note: The decrease is due to changes in the scope of consolidation.

34. Other non-current liabilities

Items	Closing balance	Opening balance
中国长城资产管理股份有限公司 (China Great Wall Asset Management Co., Ltd.*)		480,000,000.00
中国华融资产管理股份有限公司 (China Huarong Asset Management Co., Ltd.*)	1,327,400,000.00	
中信信托有限责任公司 (China CITIC Trust Co., Ltd.*)	400,000,000.00	400,000,000.00
中国东方资产管理股份有限公司 (China Orient Asset Management Co., Ltd.*)	2,365,000,000.00	960,000,000.00
杭州工商信托股份有限公司 (Hangzhou Industrial & Commercial Trust Co., Ltd.*)		699,100,000.00
渤海国际信托股份有限公司 (Bohai International Trust Co., Ltd.*)	200,000,000.00	
Reserve fund for fitment		320,443.12
Total	4,292,400,000.00	2,539,420,443.12

35. Share capital

Items	Opening balance	Movements					Closing balance
		Issue of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	
Total shares	8,599,343,536						8,599,343,536

36. Capital reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Capital premium (Share premium)	7,933,350,796.40	587,169,252.21	355,127,888.35	8,165,392,160.26
Other capital reserve	28,554,911.23	30,340,134.89	631,224,800.16	-572,329,754.04

* *The English names are for identification purpose only.*

Items	Opening balance	Increase	Decrease	Closing balance
Total	7,961,905,707.63	617,509,387.10	986,352,688.51	7,593,062,406.22

(2) Other remarks

1) In the current period, increase in share premium totaled 587,169,252.21 yuan, including: a. capital reserve amounting to 107,042,587.39 yuan originally recognized as other capital reserve during the vesting period but transferred into share premium due to the expired stock option incentive plan for the current period; b. the adjustment amounting to 480,126,664.82 yuan on the difference between the disposal/acquisition consideration and the increased/decreased proportionate shares of net assets of the subsidiary still under control after the disposal/acquisition of a portion of equity of subsidiary.

2) In the current period, decrease in share premium totaled 355,127,888.35 yuan due to the difference between the considerations for acquiring a portion of equity of the subsidiary and the increased proportionate shares in net assets of the subsidiary, with a corresponding adjustment of 355,127,888.35 yuan on capital reserve.

3) In the current period, increase in other capital reserve totaled 30,340,134.89 yuan due to the increase of capital reserve of the Company's associates, with a corresponding increase of 30,340,134.89 yuan under equity method in capital reserve (other capital reserve) of the Company.

4) In the current period, decrease in other capital reserve totaled 631,224,800.16 yuan, including: a. as mentioned above in 1) a.; b. the decrease of capital reserve amounting to 524,182,212.77 yuan due to the Company's proportionate decrease in holding proportion of the Company's associates after the capital increase from other shareholders.

37. Treasury shares

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Treasury shares		496,710,118.89		496,710,118.89
Total		496,710,118.89		496,710,118.89

(2) Other remarks

Pursuant to the resolutions deliberated and approved by the third meeting and the seventh meeting of the tenth session of the Board of Directors, the Company intended to repurchase its shares in the form of centralized bidding. The repurchasing amount shall be neither less than 600 million yuan, nor exceeding 1.2 billion yuan, and the repurchasing price shall not be exceeding 4.5 yuan per share. The repurchasing amount of treasury shares for maintaining the Company's value and shareholders' interest totaled 300 million yuan, while the rest repurchased shares were used for equity incentive. The Company repurchased 139,230,136 shares in current period, and the transaction amount totaled 496,710,118.89 yuan.

38. Other comprehensive income (OCI)

Items	Opening balance [Note]	Current period cumulative						Closing balance
		Current period cumulative before income tax	Less: OCI carried forward transferred to profit or loss	Less: OCI carried forward transferred to retained earnings	Less: Income tax	Attributable to parent company (after tax)	Attributable to non-controlling shareholders (after tax)	
Items not to be reclassified subsequently to profit or loss	-62,485,955.78	-55,023,600.54				-55,023,600.54		-117,509,556.32
Including: Other comprehensive income not to be transferred to profit or loss under equity method	4,980,683.19	-43,325,345.58				-43,325,345.58		-38,344,662.39
Changes in fair value of other equity instrument investments	-67,466,638.97	-11,698,254.96				-11,698,254.96		-79,164,893.93
Items to be reclassified subsequently to profit or loss	289,597,215.86	-42,078,989.98				-42,078,989.98		247,518,225.88
Including: Other comprehensive income to be transferred to profit or loss under equity method	273,649,795.64	122,464,540.33				122,464,540.33		396,114,335.97
Translation reserves	15,947,420.22	-164,543,530.31				-164,543,530.31		-148,596,110.09
Total	227,111,260.08	-97,102,590.52				-97,102,590.52		130,008,669.56

Note: For details of the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to section III (XXXI) 1 (1) 2) of notes to financial statement.

39. Surplus reserve

(1) Details

Items	Opening balance [Note]	Increase	Decrease	Closing balance
Statutory surplus reserve	1,103,515,866.54	79,198,229.08		1,182,714,095.62
Discretionary surplus reserve	2,838,547.34			2,838,547.34
Total	1,106,354,413.88	79,198,229.08		1,185,552,642.96

Note: For details of the difference between the opening balance and the closing balance of the previous year (the balances on December 31, 2018), please refer to section III (XXXI) 1 (1) 2) and section XIV (I) of notes to financial statement.

(2) Other remarks

In the current period, the Company appropriated surplus reserve at 10% of the net profit generated by parent company.

40. Undistributed profit

(1) Details

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	15,916,464,347.45	14,228,279,062.60
Add: Increase due to adjustment (or less: decrease)	-66,237,691.40	-246,095,074.04
Opening balance after adjustment	15,850,226,656.05	13,982,183,988.56
Add: Net profit attributable to owners of the parent company	2,153,412,681.24	2,506,201,669.61
Less: Appropriation of statutory surplus reserve	79,198,229.08	81,758,723.54
Dividend payable on ordinary shares	500,786,865.47	490,162,587.18
Closing balance	17,423,654,242.74	15,916,464,347.45

(2) Details of increase or decrease due to adjustment

1) Adjustment of -66,237,691.40 yuan was made on the undistributed profit as at January 1, 2019 due to changes in accounting policies.

2) Adjustment of -246,095,074.04 yuan was made on the undistributed profit as at January 1, 2018 due to corrections of significant errors of prior period.

(II) Notes to items of the consolidated income statement

1. Operating revenue/Operating cost

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	14,741,603,308.75	9,513,753,793.30	17,160,928,138.54	12,273,943,718.82
Other operations	68,691,806.34	40,238,455.66	66,186,557.88	37,727,300.80
Total	14,810,295,115.09	9,553,992,248.96	17,227,114,696.42	12,311,671,019.62

2. Taxes and surcharges

Items	Current period cumulative	Preceding period comparative
Business tax	1,067,958.31	68,919,169.77
Urban maintenance and construction tax	42,256,683.78	48,780,680.98
Education surcharge	18,113,766.31	20,905,305.16
Local education surcharge	11,875,583.26	13,942,057.74
Land appreciation tax	1,750,068,291.51	863,308,145.46
Housing property tax	19,193,755.33	14,766,811.15
Land use tax	22,558,725.19	29,343,367.62
Stamp duty	10,237,901.64	14,403,681.25
Others	2,611,716.53	230,500.30

Items	Current period cumulative	Preceding period comparative
Total	1,877,984,381.86	1,074,599,719.43

3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Advertising and promotion expenses	135,196,696.30	110,778,764.68
Employee benefits	87,129,600.48	70,550,341.29
Rental fees	2,630,001.74	4,582,919.40
Depreciation	6,539,034.23	3,700,326.80
Office expenses	8,901,009.46	7,050,272.13
Labor service fees	63,022,592.10	58,698,042.93
Business traveling expenses	4,156,231.34	3,639,726.76
Business entertainment expenses	4,546,424.24	3,649,827.36
Sales agency fee	72,550,848.38	39,843,772.18
Others	12,644,760.54	12,656,140.88
Total	397,317,198.81	315,150,134.41

4. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	198,225,432.94	164,498,952.16
Business entertainment expenses	74,562,327.67	63,144,805.74
Depreciation	23,046,113.17	23,458,426.29
Equity incentive expenses		20,950,663.01
Office expenses	35,849,676.86	41,073,115.29
Business traveling expenses	19,980,120.33	18,304,257.00
Transportation fees	11,312,452.85	13,135,224.93
Agency expenses	23,739,121.59	19,221,959.08
Consulting service fees	19,835,305.29	27,898,688.20
Rental fees	10,048,556.77	10,783,847.68
Others	28,736,381.97	17,754,403.81
Total	445,335,489.44	420,224,343.19

5. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenses	2,707,210,694.81	2,034,935,291.81
Less: Interest income	175,827,704.50	318,600,499.04

Items	Current period cumulative	Preceding period comparative
Losses on foreign exchange	39,122,961.92	3,265,122.68
Less: Gains on foreign exchange	19,300,237.93	53,189,076.57
Others	74,120,210.38	31,586,394.43
Total	2,625,325,924.68	1,697,997,233.31

6. Other income

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants related to assets [Note]	286,355.36	8,156,355.36	286,355.36
Government grants related to income [Note]	3,261,069.92	2,837,404.00	3,261,069.92
Refund of handling fees for withholding individual income tax	289,692.80	413,466.25	289,692.80
Total	3,837,118.08	11,407,225.61	3,837,118.08

Note: Please refer to notes V (IV) 3 to government grants for details on grants included into other income.

7. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	2,850,831,623.70	2,310,578,477.53
Gains on disposal of long-term equity investments	546,621,360.87	-627,721.86
Investment income from financial instruments	47,370,856.00	
Including: Financial assets classified as at fair value through profit or loss	47,370,856.00	
Gains on disposal of financial instruments	6,679,771.77	
Including: Financial assets classified as at fair value through profit or loss	6,679,771.77	
Interest income	192,130,627.86	
Investment income from financial assets at fair value through profit or loss		7,137,910.98
Gains on disposal of financial assets at fair value through profit or loss		-7,032,326.33
Investment income from held-to-maturity investments		
Investment income from available-for-sale financial assets		149,922,999.05
Investment income from financial products		29,633,609.79
Total	3,643,634,240.20	2,489,612,949.16

8. Gains on changes in fair value

Items	Current period cumulative	Preceding period comparative
Held-for-trading financial assets (financial assets at fair value through profit or loss)	-689,713,896.08	-87,311,663.85
Total	-689,713,896.08	-87,311,663.85

9. Credit impairment loss

Items	Current period cumulative
Bad debts	-2,614,190.17
Total	-2,614,190.17

10. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts		-112,996,991.86
Inventory write-down	-29,969,225.83	-36,671,260.66
Impairment loss of available-for-sale financial assets		-7,000,000.00
Impairment loss of construction in progress		-765,388.92
Impairment loss of intangible assets		-114,441,572.03
Total	-29,969,225.83	-271,875,213.47

11. Gains on asset disposal

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of fixed assets	185,216.21	-597,713.09	185,216.21
Total	185,216.21	-597,713.09	185,216.21

12. Non-operating revenue

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on donation	2,810,000.00	34,000.00	2,810,000.00
Gains on fines and confiscations	1,000,152.05	646,672.50	1,000,152.05
Default fines	5,314,954.45	2,030,798.60	5,314,954.45
Exempted payment	5,000.93	19,364.97	5,000.93
Others	1,825,498.72	991,513.41	1,825,498.72
Total	10,955,606.15	3,722,349.48	10,955,606.15

13. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Losses on damage or scrapping of non-current assets	445,174.99	239,195.71	445,174.99
Local water conservancy fund	204,082.88	1,251,074.51	
Donation expenditures	66,335,800.00	20,553,000.00	66,335,800.00
Penalties	865,733.33	1,125,586.05	865,733.33
Others	22,482,478.30	1,081,892.09	22,482,478.30
Total	90,333,269.50	24,250,748.36	90,129,186.62

14. Income tax expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	1,078,065,122.00	1,012,803,412.48
Deferred income tax expenses	-433,370,586.27	-177,983,281.15
Total	644,694,535.73	834,820,131.33

(2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative	Preceding period comparative
Profit before tax	2,756,321,470.40	3,528,179,431.94
Income tax expenses based on applicable tax rate	689,080,367.60	882,044,857.99
Effect of different tax rate applicable to subsidiaries		
Effect of prior income tax reconciliation	-9,025,630.04	1,375,888.62
Effect of non-taxable income	-693,499,427.02	-576,499,879.53
Effect of taxable income (loss)	100,500,219.17	
Effect of non-deductible costs, expenses and losses	12,273,699.39	14,864,366.96
Effect of other permanent difference	513,646,459.82	330,342,674.14
Utilization of deductible losses not previously recognized as deferred income tax assets	-133,800,320.41	-9,962,000.50
Effect of deducible temporary differences or deductible losses not recognized as deferred income tax assets in the current period	173,591,117.83	198,810,199.53
Effect of deducible temporary differences or deductible losses not previously recognized but recognized as deferred income tax assets in current period	-4,602,742.84	-6,343,423.67
Effect of deducible temporary differences or deductible losses not recognized in current period but previously recognized	-3,469,207.77	187,447.79

Items	Current period cumulative	Preceding period comparative
as deferred income tax assets		
Income tax expenses	644,694,535.73	834,820,131.33

15. Other comprehensive income, net of income tax

Please refer to section V (I) 38 of notes to financial statements for details.

(III) Notes to items of the consolidated cash flow statement

1. Other cash receipts related to operating activities

Items	Current period cumulative	Preceding period comparative
Current accounts	139,252,255.41	282,003,460.53
Government grants except receipts of tax refund	4,917,662.56	3,536,098.00
Deposits and agency receipts	562,662,470.65	859,717,136.71
Deposit for mortgaged guarantee	37,931,470.16	72,170,959.86
Interest income from cash in bank	208,357,617.46	288,237,629.36
Others	109,603,577.59	68,653,785.42
Total	1,062,725,053.83	1,574,319,069.88

2. Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Current accounts	127,263,485.31	277,601,061.10
Deposits and agency receipts	694,164,866.84	766,538,511.21
Administrative expenses	213,019,670.71	214,639,880.77
Selling expenses	279,692,637.97	255,305,839.43
Deposit for mortgaged guarantee	8,687,471.40	10,489,246.48
Donation expenditures	64,565,000.00	21,013,000.00
Others	55,989,869.78	57,864,710.11
Total	1,443,383,002.01	1,603,452,249.10

3. Other cash receipts related to investing activities

Items	Current period cumulative	Preceding period comparative
Recovery of lending funds	3,501,419,125.42	846,540,975.14
Redemption of structured deposit	135,000,000.00	925,000,000.00
Redemption of financial products		5,688,000,000.00
Investment intention fund		870,000,000.00
Others		2,684,722.23

Items	Current period cumulative	Preceding period comparative
Total	3,636,419,125.42	8,332,225,697.37

4. Other cash payments related to investing activities

Items	Current period cumulative	Preceding period comparative
Lending funds	1,286,617,682.42	3,415,184,857.01
Purchase of structured deposit		135,000,000.00
Purchase of financial products		4,538,000,000.00
Investment intention fund		870,000,000.00
Net cash generated from disposal of subsidiaries and other operating units (if negative)	3,504,437.81	
Others	5,130,000.00	13,730,000.00
Total	1,295,252,120.23	8,971,914,857.01

5. Other cash receipts related to financing activities

Items	Current period cumulative	Preceding period comparative
Borrowing funds	4,034,981,030.28	1,055,394,600.00
Receipt of discount on financing notes	387,833,333.32	272,425,329.23
Deposit for bank acceptance	70,000,000.00	50,000,000.00
Deposit for borrowings	1,775,543,669.16	897,985,391.89
Trust protection fund	30,968,000.00	28,216,500.00
Receipt from disposal of partial equity of subsidiary	550,000,000.00	
Others		921,608.29
Total	6,849,326,032.76	2,304,943,429.41

6. Other cash payments related to financing activities

Items	Current period cumulative	Preceding period comparative
Repayment of borrowing funds	1,043,752,338.99	1,153,355,424.65
Deposit pledged for borrowings	2,471,643,764.52	1,144,721,305.99
Time deposit pledged for bank borrowings		20,000,000.00
Deposit for bank acceptance	200,000,000.00	50,000,000.00
Other financing expenses including bank consulting fees	239,642,249.68	258,783,935.58
Payment for financing acceptance of bill	120,000,000.00	176,780,000.00
Acquisition of equity from non-controlling shareholders of subsidiaries	390,000,000.00	100,981,536.55
Trust protection fund	27,859,000.00	22,961,000.00

Items	Current period cumulative	Preceding period comparative
Bond issuance expenses	22,646,042.44	71,274,288.35
Repurchase of shares	496,710,118.89	
Others		14,539.66
Total	5,012,253,514.52	2,998,872,030.78

7. Supplement information to the cash flow statement

(1) Supplement information to the cash flow statement

Supplement information	Current period cumulative	Preceding period comparative
1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	2,111,626,934.67	2,693,359,300.61
Add: Provision for assets impairment loss	32,583,416.00	271,875,213.47
Depreciation of fixed assets, oil and gas assets, productive biological assets	86,871,232.19	67,988,954.91
Amortization of intangible assets	7,206,924.88	5,854,468.35
Amortization of long-term prepayments	7,171,986.72	5,353,935.47
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	-185,216.21	597,713.09
Fixed assets retirement loss (Less: gains)	439,874.99	239,195.71
Losses on changes in fair value (Less: gains)	689,713,896.08	87,311,663.85
Financial expenses (Less: gains)	2,790,702,629.66	1,955,930,330.57
Investment losses (Less: gains)	-3,643,634,240.20	-2,489,612,949.16
Decrease of deferred tax assets (Less: increase)	-426,315,006.88	-156,175,987.04
Increase of deferred tax liabilities (Less: decrease)	-7,055,579.39	-21,807,294.11
Decrease in inventories (Less: increase)	-5,394,845,756.27	-8,109,440,274.81
Decrease in operating receivables (Less: increase)	489,271,163.95	446,808,005.05
Increase of operating payables (Less: decrease)	5,523,953,511.40	1,463,042,055.13
Others		
Net cash flows from operating activities	2,267,505,771.59	-3,778,675,668.91
2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into share capital		
Convertible bonds due within one year		
Fixed assets rented in under finance leases		
3) Net changes in cash and cash equivalents:		

Supplement information	Current period cumulative	Preceding period comparative
Cash at the end of the period	12,525,642,105.32	14,583,268,372.24
Less: Cash at the beginning of the period	14,583,268,372.24	16,220,406,014.05
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	-2,057,626,266.92	-1,637,137,641.81

(2) Net cash receipts for disposal of subsidiaries in current period

Items	Current period cumulative
Cash and cash equivalents received for subsidiary disposal in current period	875,419,212.68
Including: 上海玛宝房地产开发有限公司 (Shanghai Mabao Real Estate Development Co., Ltd.*)	375,419,212.68
浙江瓯瓴实业有限公司 (Zhejiang Ouling Industrial Co., Ltd.*)	500,000,000.00
Less: Cash and cash equivalents held by subsidiaries at the loss-of-control date	10,854,371.25
Including: Shanghai Mabao Real Estate Development Co., Ltd.	6,838,933.03
Zhejiang Ouling Industrial Co., Ltd.	511,000.41
Jiaxing Nanhu International Education & Culture Exchange Center [Note]	3,504,437.81
Add: Cash and cash equivalents received in current period for subsidiary disposal in prior periods	47,040,000.00
Including: Xinhu Futures Co., Ltd.	47,040,000.00
Net cash receipts for disposal of subsidiaries in current period	915,109,279.24

Note: Equity transfer payment for disposal of Jiaxing Nanhu International Education & Culture Exchange Center of 1,500,000.00 yuan has been received in 2018. Net cash receipt for disposal of Jiaxing Nanhu International Education & Culture Exchange Center totaled -3,504,437.81 yuan, which was presented under other cash payments related to investing activities.

(3) Cash and cash equivalents

Items	Closing balance	Opening balance
1) Cash	12,525,642,105.32	14,583,268,372.24
Including: Cash on hand	819,740.13	971,251.66
Cash in bank on demand for payment	12,470,585,654.77	13,845,065,214.31
Other cash and bank balances on demand for payment	54,236,710.42	737,231,906.27
Central bank deposit on demand for payment		
Deposit in other banks		
Loans to other banks		

* *The English names are for identification purpose only.*

Items	Closing balance	Opening balance
2) Cash equivalents		
Including: Bond investments maturing within three months		
3) Cash and cash equivalents at the end of the period	12,525,642,105.32	14,583,268,372.24
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

(IV) Others

1. Assets with title or use right restrictions

Items	Closing carrying amount	Reasons for restrictions
Cash and bank balances	2,164,564,271.19	Please refer to notes to cash and bank balances
Long-term equity investments	12,733,336,531.12	Pledged
Other non-current financial assets	2,073,006,092.42	Pledged
Other receivables	25,191,400.00	Pledged
Inventories	19,172,372,772.11	Mortgaged
Fixed assets	252,535,042.22	Mortgaged
Investment property	687,965,371.16	Mortgaged
Total	37,108,971,480.22	

2. Monetary items in foreign currencies

(1) Details

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank balances			2,824,823,477.35
Including: USD	176,415,251.34	6.9762	1,230,708,077.40
HKD	1,779,584,871.90	0.89578	1,594,115,399.95
Short-term borrowings			181,426,755.07
Including: HKD	202,567,080.54	0.89578	181,426,755.07
Non-current liabilities due within one year			5,317,810,390.27
Including: USD	621,695,352.56	6.9762	4,337,071,118.53
HKD	1,094,843,903.35	0.89578	980,739,271.74
Long-term borrowings			6,024,597,694.73
Including: HKD	6,725,532,714.20	0.89578	6,024,597,694.73
Bonds payable			4,560,583,792.58
Including: USD	653,734,668.24	6.9762	4,560,583,792.58

(2) Foreign operations

Name	Main operating place	Functional currency	Currency criteria
Hong Kong Xinhu Investment Co., Ltd.	Hong Kong	USD	Currency used in daily operations
Taichang Investment Co., Ltd.	The British Virgin Islands	USD	
Hong Kong Guansheng Investment Co., Ltd.	Hong Kong	HKD	
Guanhong Investment Co., Ltd.	Cayman Islands	USD	
Taixin Holdings Co., Ltd.	Cayman Islands	USD	
Tairong Holdings Co., Ltd.	Cayman Islands	USD	
Hong Kong Xin'ao Investment Co., Ltd.	Hong Kong	USD	
Australia Xing'ao Investment Co., Ltd.	Australia	AUD	
Xinhu (BVI) Holding Company Limited	The British Virgin Islands	USD	
Xinhu (Oversea) 2017 Investment Co., Ltd.	The British Virgin Islands	USD	
Xinhu (BVI) 2018 Holding Company Limited	The British Virgin Islands	USD	
Total Partner Global Limited	The British Virgin Islands	HKD	
Summit Idea Limited	The British Virgin Islands	HKD	
Guanrui Investment Co., Ltd.	The British Virgin Islands	USD	

3. Government grants

(1) Details

1) Government grants related to assets

Items	Opening balance of deferred income	Increase	Amortization	Other decrease [Note]	Closing balance of deferred income	Amortization presented under	Remarks
Land arrangement compensation	28,950,666.67				28,950,666.67		
Engineering subsidy	7,985,000.00	1,000,000.00			8,985,000.00		
Deed tax refund	218,861,205.00			88,675,005.00	130,186,200.00		
Education construction subsidy	1,999,702.91	600,000.00	286,355.36		2,313,347.55	Other income	
Subtotal	257,796,574.58	1,600,000.00	286,355.36	88,675,005.00	170,435,214.22		

Note: Other decrease is due to changes in the consolidation scope.

2) Government grants related to income and used to compensate incurred relevant costs, expenses or losses

Items	Amount	Presented under	Remarks
Government reward	470,000.00	Other income	
Education subsidy	2,469,400.00	Other income	
Others	321,669.92	Other income	

Items	Amount	Presented under	Remarks
Subtotal	3,261,069.92		

(2) In the current period, government grants included into profit or loss totaled 3,547,425.28 yuan.

VI. Changes in the consolidation scope

(I) Disposal of subsidiary

1. One-time disposal involving loss of control over a subsidiary

(1) Details

Subsidiaries	Equity disposal consideration	Equity disposal proportion (%)	Equity disposal method	Loss of control date	Determination basis for loss of control date	Difference between disposal consideration and net assets attributable to the Company at the consolidated financial statements level
Shanghai Mabao Real Estate Development Co., Ltd.	375,652,212.68	90.10	Sale	7/18/2019	Transfer of management power	37,977,640.88
Zhejiang Ouling Industrial Co., Ltd.	500,000,000.00	90.10	Sale	7/18/2019	Transfer of management power	508,354,581.66
Zhejiang Xinhu International Education Investment Co., Ltd.	1,500,000.00	80.00	Sale	2/25/2019	Completion of registration of the change	289,138.34

Note 1: As Zhejiang Ouling Industrial Co., Ltd. holds 100% equity of 南通启仁置业有限公司 (Nantong Qiren Real Estate Co., Ltd.*) and 平阳隆恒置业有限公司 (Pingyang Longheng Real Estate Co., Ltd.*), the Company losses control over Nantong Qiren Real Estate Co., Ltd. and Pingyang Longheng Real Estate Co., Ltd. upon the disposal of 90.1% equity of Zhejiang Ouling Industrial Co., Ltd.

Note 2: As Jiaxing Nanhu International Education and Cultural Exchange Center holds 100% equity of 嘉兴中宝教育科技有限公司 (Jiaxing Zhongbao Education Technology Co., Ltd.*), the Company losses control over Jiaxing Zhongbao Education Technology Co., Ltd. upon the disposal of 80% equity of Jiaxing Nanhu International Education and Cultural Exchange Center.

(Continued)

Subsidiaries	Proportion of remaining equity at the loss of control date	Carrying amount of remaining equity at the loss of control date	Fair value of remaining equity at the loss of control date	Gains/losses on fair value remeasurement of remaining equity	Determination method and significant assumption on fair value of remaining equity at the loss of control date	Changes in other comprehensive income/equity related to former subsidiary's equity investment transferred to investment income
Shanghai Mabao Real Estate Development Co., Ltd.	9.90%	19,800,000.00	19,800,000.00		Contract	
Zhejiang Ouling Industrial Co., Ltd.	9.90%				Contract	

* *The English names are for identification purpose only.*

Subsidiaries	Proportion of remaining equity at the loss of control date	Carrying amount of remaining equity at the loss of control date	Fair value of remaining equity at the loss of control date	Gains/losses on fair value remeasurement of remaining equity	Determination method and significant assumption on fair value of remaining equity at the loss of control date	Changes in other comprehensive income/equity related to former subsidiary's equity investment transferred to investment income
Zhejiang Xinhu International Education Investment Co., Ltd.						

VII. Interest in other entities

(I) Interest in significant subsidiaries

1. Composition of significant subsidiaries

(1) Basis information

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
沈阳沈北金谷置业有限公司 (Shenyang Shenbei Jingu Real Estate Co., Ltd.*)	Shenyang	Shenyang	Real estate		100.00	Establishment
沈阳青蓝装饰工程有限公司 (Shenyang Qinglan Decoration Engineering Co., Ltd.*)	Shenyang	Shenyang	Decoration and landscape engineering		100.00	Establishment
沈阳新湖明珠置业有限公司 (Shenyang Xinhu Mingzhu Real Estate Co., Ltd.*)	Shenyang	Shenyang	Real estate		100.00	Establishment
天津新湖凯华投资有限公司 (Tianjin Xinhu Kaihua Investment Co., Ltd.*)	Tianjin	Tianjin	Real estate		100.00	Establishment
天津新湖中宝投资有限公司 (Tianjin Xinhu Zhongbao Investment Co., Ltd.*)	Tianjin	Tianjin	Real estate	100.00		Establishment
义乌北方(天津)国际商贸城有限公司 (Yiwu North (Tianjin) International Trade City Co., Ltd.*)	Tianjin	Tianjin	Market development and real estate development		100.00	Establishment
天津新湖物业发展有限公司 (Tianjin Xinhu Property Development Co., Ltd.*)	Tianjin	Tianjin	Market management and service		100.00	Establishment
天津海建市政工程有限公司 (Tianjin Haijian Municipal Engineering Co., Ltd.*)	Tianjin	Tianjin	Civil engineering, decoration and landscape		100.00	Establishment
滨州新湖房地产开发有限公司 (Binzhou Xinhu Real Estate Development Co., Ltd.*)	Binzhou	Binzhou	Real estate		100.00	Establishment
Nantong Xinhu Real Estate Co., Ltd.	Nantong	Nantong	Real estate		100.00	Establishment
南通启阳建设开发有限公司 (Nantong Qiyang Construction Development Co., Ltd.*)	Nantong	Nantong	Real estate		100.00	Establishment
南通启新置业有限公司 (Nantong Qixin Real Estate Co., Ltd.*)	Nantong	Nantong	Real estate		100.00	Establishment
启东新湖建设发展有限公司 (Qidong Xinhu Construction and Development Co., Ltd.*)	Nantong	Nantong	Real estate		100.00	Establishment

* *The English names are for identification purpose only.*

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
苏州充橙商业管理有限公司 (Suzhou Chongcheng Commercial Management Co., Ltd.*)	Wujiang	Wujiang	Commercial management		100.00	Establishment
Shanghai Xinhu Urban Development Co., Ltd.	Shanghai	Shanghai	Real estate		100.00	Establishment
上海新湖天虹城市开发有限公司 (Shanghai Xinhu Tianhong Urban Development Co., Ltd.*)	Shanghai	Shanghai	Real estate		100.00	Establishment
杭州新湖明珠置业有限公司 (Hangzhou Xinhu Mingzhu Real Estate Co., Ltd.*)	Hangzhou	Hangzhou	Real estate		100.00	Establishment
杭州新湖鸬鸟置业有限公司 (Hangzhou Xinhu Luniao Real Estate Co., Ltd.*)	Hangzhou	Hangzhou	Real estate		100.00	Establishment
浙江新湖海创地产发展有限公司 (Zhejiang Xinhu Haichuang Real Estate Development Co., Ltd.*)	Hangzhou	Hangzhou	Real estate		100.00	Establishment
Jiaxing Xinhu CRED Real Estate Co., Ltd.	Jiaxing	Jiaxing	Real estate	51.00		Establishment
舟山新湖置业有限公司 (Zhoushan Xinhu Real Estate Co., Ltd.*)	Zhoushan	Zhoushan	Real estate	45.00	55.00	Establishment
丽水新湖置业有限公司 (Lishui Xinhu Real Estate Co., Ltd.*)	Lishui	Lishui	Real estate		100.00	Establishment
温岭新湖地产发展有限公司 (Wenling Xinhu Real Estate Development Co., Ltd.*)	Wenling	Wenling	Real estate		100.00	Establishment
温岭锦辉置业有限公司 (Wenling Jinhui Real Estate Co., Ltd.*)	Wenling	Wenling	Real estate		51.00	Establishment
乐清新湖置业有限公司 (Yueqing Xinhu Real Estate Co., Ltd.*)	Yueqing	Yueqing	Real estate		65.00	Establishment
瑞安市中宝置业有限公司 (Rui'an Zhongbao Real Estate Co., Ltd.*)	Rui'an	Rui'an	Real estate		95.00	Establishment
平阳伟成置业有限公司 (Pingyang Weicheng Real Estate Co., Ltd.*)	Pingyang	Pingyang	Real estate	51.00	49.00	Establishment
平阳安瑞置业有限公司 (Pingyang Anrui Real Estate Co., Ltd.*)	Pingyang	Pingyang	Real estate	51.00	49.00	Establishment
平阳宝瑞置业有限公司 (Pingyang Baorui Real Estate Co., Ltd.*)	Pingyang	Pingyang	Real estate	51.00	49.00	Establishment
平阳隆瑞置业有限公司 (Pingyang Longrui Real Estate Co., Ltd.*)	Pingyang	Pingyang	Real estate		100.00	Establishment
九江新湖中宝置业有限公司 (Jiujiang Xinhu Zhongbao Real Estate Co., Ltd.*)	Jiujiang	Jiujiang	Real estate		100.00	Establishment
启东新湖投资开发有限公司 (Qidong Xinhu Investment & Development Co., Ltd.*)	Nantong	Nantong	Tidal flat reclamation of river and sea	100.00		Establishment

* *The English names are for identification purpose only.*

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
启东三水汇生态环境科技有限公司 (Qidong Sanshuihui Eco-environmental Science & Technology Co., Ltd.*)	Nantong	Nantong	Fitness, fishing and conference services; agricultural planting, selling and leasing		100.00	Establishment
启东新湖碧海旅游管理有限公司 (Qidong Xinhu Bihai Tourism Management Co., Ltd.*)	Nantong	Nantong	Tourism service, catering service		100.00	Establishment
上海拓驿投资管理有限公司 (Shanghai Tuoyi Investment Management Co., Ltd.*)	Shanghai	Shanghai	Investment	100.00		Establishment
新湖中宝投资管理有限公司 (Xinhu Zhongbao Investment Management Co., Ltd.*)	Hangzhou	Hangzhou	Investment	100.00		Establishment
Zhejiang Xinhu Financial Information Service Co., Ltd.	Hangzhou	Hangzhou	Financial service	100.00		Establishment
Zhejiang Xinhu Zhinao Investment Management Partnership (LP)	Hangzhou	Hangzhou	Investment	50.00	50.00	Establishment
浙江新湖乐居科技有限公司 (Zhejiang Xinhu Leju Technology Co., Ltd.*)	Hangzhou	Hangzhou	Development of computer software	100.00		Establishment
浙江智新科技有限公司 (Zhejiang Zhixin Technology Co., Ltd.*)	Hangzhou	Hangzhou	Investment	100.00		Establishment
浙江启安实业有限公司 (Zhejiang Qi'an Industrial Co., Ltd.*)	Hangzhou	Hangzhou	Project management	80.00	20.00	Establishment
浙江启珩实业有限公司 (Zhejiang Qiheng Industrial Co., Ltd.*)	Hangzhou	Hangzhou	Project management	72.00	28.00	Establishment
浙江启辉实业有限公司 (Zhejiang Qihui Industrial Co., Ltd.*)	Hangzhou	Hangzhou	Project management	30.00	70.00	Establishment
浙江启隆实业有限公司 (Zhejiang Qilong Industrial Co., Ltd.*)	Hangzhou	Hangzhou	Project management	63.75	36.25	Establishment
浙江启信实业有限公司 (Zhejiang Qixin Industrial Co., Ltd.*)	Hangzhou	Hangzhou	Project management	68.00	32.00	Establishment
浙江启远实业有限公司 (Zhejiang Qiyuan Industrial Co., Ltd.*)	Hangzhou	Hangzhou	Project management		100.00	Establishment
浙江启智实业有限公司 (Zhejiang Qizhi Industrial Co., Ltd.*)	Hangzhou	Hangzhou	Project management	100.00		Establishment
浙江启丰实业有限公司 (Zhejiang Qifeng Industrial Co., Ltd.*)	Hangzhou	Hangzhou	Project management	100.00		Establishment
Guizhou Xinhu Energy Co., Ltd.	Bijie	Bijie	Sale of minerals and energy project investment	100.00		Establishment
Zhejiang Xinhu International Education Investment Co., Ltd.	Jiaxing	Jiaxing	Investment and development in education industry		100.00	Establishment

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Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
嘉兴南湖国际实验中学 (Jiaxing Nanhu International Experimental Middle School*)	Jiaxing	Jiaxing	Middle school		100.00	Establishment
Jiaxing Nanhu District Nanhu International Rome City Kindergarten	Jiaxing	Jiaxing	Pre-school education		100.00	Establishment
Jiaxing Economic & Development Zone Shimao City Kindergarten	Jiaxing	Jiaxing	Education service		60.00	Establishment
新湖影视传播有限公司 (Xinhu Entertainment Co., Ltd.*)	Hangzhou	Hangzhou	Film and television investment, advertisement and cultural education training, etc.	100.00		Establishment
上海众孚实业有限公司 (Shanghai Zhongfu Industrial Co., Ltd.*)	Shanghai	Shanghai	Industrial investment		100.00	Establishment
上海融喆投资发展有限公司 (Shanghai Rongzhe Investment Development Co., Ltd.*)	Shanghai	Shanghai	Investment		95.00	Establishment
Hong Kong Xinhu Investment Co., Ltd.	Hong Kong	Hong Kong	Investment	100.00		Establishment
Taichang Investment Co., Ltd.	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Establishment
Hong Kong Xin'ao Investment Co., Ltd.	Hong Kong	Hong Kong	Investment	100.00		Establishment
Hong Kong Guansheng Investment Co., Ltd.	Hong Kong	Hong Kong	Investment		100.00	Establishment
Australia Xing'ao Investment Co., Ltd.	Australia	Australia	Investment		100.00	Establishment
Xinhu (BVI) Holding Company Limited	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Establishment
Xinhu (Oversea) 2017 Investment Company Limited	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Establishment
Xinhu (BVI) 2018 Holding Company Limited	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Establishment
Guanrui Investment Co., Ltd.	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Establishment
Taixin Holdings Co., Ltd.	Cayman Islands	Cayman Islands	Investment		100.00	Establishment
Tairong Holdings Co., Ltd.	Cayman Islands	Cayman Islands	Investment		100.00	Establishment
Guanhong Investment Co., Ltd.	Cayman Islands	Cayman Islands	Investment		100.00	Establishment
Shenyang Xinhu Real Estate Development Co., Ltd.	Shenyang	Shenyang	Real estate		100.00	Business combination under common control
泰安新湖房地产开发有限公司 (Tai'an Xinhu Real Estate Development Co., Ltd.*)	Tai'an	Tai'an	Real estate		100.00	Business combination under common control
苏州新湖置业有限公司 (Suzhou Xinhu Real Estate Co., Ltd.*)	Wujiang	Wujiang	Real estate		100.00	Business combination under common control
上海中瀚置业有限公司 (Shanghai Zhonghan Real Estate Co., Ltd.*)	Shanghai	Shanghai	Real estate	100.00		Business combination under common control

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Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
上海新湖房地产开发有限公司（Shanghai Xinhu Real Estate Development Co., Ltd.*)	Shanghai	Shanghai	Real estate		63.00	Business combination under common control
Xinhu Real Estate Group Co., Ltd.	Hangzhou	Hangzhou	Real estate	100.00		Business combination under common control
杭州新湖美丽洲置业有限公司（Hangzhou Xinhu Melizhou Real Estate Co., Ltd.*)	Hangzhou	Hangzhou	Real estate		100.00	Business combination under common control
衢州新湖房地产开发有限公司（Quzhou Xinhu Real Estate Development Co., Ltd.*)	Quzhou	Quzhou	Real estate		100.00	Business combination under common control
绍兴百大房地产有限责任公司（Shaoxing Baida Real Estate Co., Ltd.*)	Shaoxing	Shaoxing	Real estate	90.00	10.00	Business combination under common control
绍兴市红太阳物业管理有限公司（Shaoxing Hongtaiyang Property Management Co., Ltd.*)	Shaoxing	Shaoxing	Property management	10.00	90.00	Business combination under common control
温州新湖房地产开发有限公司（Wenzhou Xinhu Real Estate Development Co., Ltd.*)	Wenzhou	Wenzhou	Real estate	100.00		Business combination under common control
九江新湖远洲置业有限公司 (Jiujiang Xinhu Yuanzhou Real Estate Co., Ltd.*)	Jiujiang	Jiujiang	Real estate	100.00		Business combination under common control
上海亚龙古城房地产开发有限公司（Shanghai Yalong Gucheng Real Estate Development Co., Ltd.*)	Shanghai	Shanghai	Real estate		100.00	Business combination not under common control
Zhejiang Xinlande Real Estate Co., Ltd.	Hangzhou	Hangzhou	Real estate		100.00	Business combination not under common control
浙江澳辰地产发展有限公司 (Zhejiang Aochen Real Estate Development Co., Ltd.*)	Lanxi	Lanxi	Real estate		100.00	Business combination not under common control
海南满天星旅业开发有限公司（Hainan Mantianxing Tourism Development Co., Ltd.*)	Sanya	Sanya	Tourism, real estate		50.50	Business combination not under common control
平阳县利得海涂围垦开发有限公司（Pingyang Lide Tideland Reclamation and Development Co., Ltd.*)	Pingyang	Pingyang	Coastal development	51.00	29.00	Business combination not under common control
Fengning Chenglong Mining Co., Ltd.	Fengning	Fengning	Minerals investigation, purchase and sale	80.00		Business combination not under common control
Yunsheng Investment	Jiaxing	Jiaxing	Industrial investment	100.00		Business combination not under common control
杭州大清谷旅游开发有限公司（Hangzhou Daqing Valley Tourism Development Co., Ltd.*)	Hangzhou	Hangzhou	Tourism service		90.00	Business combination not under common control

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Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
嘉兴新国浩商贸有限公司 (Jiaxing Xinguohao Trading Co., Ltd.*)	Jiaxing	Jiaxing	Commercial trade		100.00	Business combination not under common control
杭州余杭财经投资有限公司 (Hangzhou Yuhang Financial Investment Co., Ltd.*)	Hangzhou	Hangzhou	Investment		100.00	Business combination not under common control
杭州鸬鸟旅游开发有限公司 (Hangzhou Luniao Tourism Development Co., Ltd.*)	Hangzhou	Hangzhou	Tourism resources development		100.00	Business combination not under common control
Total Partner Global Limited	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Others
Summit Idea Limited	The British Virgin Islands	The British Virgin Islands	Investment		100.00	Others

(2) Remarks on inconsistency between holding proportion owned and voting rights proportion owned in subsidiaries

As the Company holds 95% equity of Shanghai Rongzhe Investment Development Co., Ltd., which holds 100% equity of Rui'an Zhongbao Real Estate Co., Ltd., the Company holds 100% voting rights of Rui'an Zhongbao Real Estate Co., Ltd.

2. Significant not wholly-owned subsidiaries Unit: ten thousand yuan

Subsidiaries	Holding proportion of non-controlling shareholders (%)	Profit or loss attributable to non-controlling shareholders	Dividend declared to non-controlling shareholders	Closing balance of non-controlling interest
Jiaxing Xinhu CRED Real Estate Co., Ltd.	49.00	475.52	3,136.00	8,654.11
Yueqing Xinhu Real Estate Co., Ltd.	35.00	-2,571.80		4,101.99
Pingyang Lide Tideland Reclamation and Development Co., Ltd.	20.00	-202.95		44,878.11

3. Main financial information of significant not wholly-owned subsidiaries

(1) Assets and liabilities Unit: ten thousand yuan

Subsidiaries	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Jiaxing Xinhu CRED Real Estate Co., Ltd.	243,846.47	12,233.28	256,079.75	238,418.30		238,418.30
Yueqing Xinhu Real Estate Co., Ltd.	28,422.74	201.60	28,624.34	16,904.37		16,904.37
Pingyang Lide Tideland Reclamation and Development Co., Ltd.	958,559.35	691.99	959,251.34	337,700.90	292,159.89	629,860.79

(Continued)

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Subsidiaries	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Jiaxing Xinhu CRED Real Estate Co., Ltd.	170,199.81	8,922.00	179,121.81	127,443.31	28,587.50	156,030.81
Yueqing Xinhu Real Estate Co., Ltd.	70,142.89	331.15	70,474.04	50,693.80	712.26	51,406.06
Pingyang Lide Tideland Reclamation and Development Co., Ltd.	940,885.42	803.57	941,688.99	529,554.21	81,729.50	611,283.71

(2) Profit or loss and cash flows

Subsidiaries	Current period cumulative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Jiaxing Xinhu CRED Real Estate Co., Ltd.	9,816.08	970.45	970.45	84,471.90
Yueqing Xinhu Real Estate Co., Ltd.	25,567.22	-7,348.01	-7,348.01	-17,320.99
Pingyang Lide Tideland Reclamation and Development Co., Ltd.		-1,014.73	-1,014.73	111,783.11

(Continued)

Subsidiaries	Preceding period cumulative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Jiaxing Xinhu CRED Real Estate Co., Ltd.	7,703.12	437.08	437.08	60,714.39
Yueqing Xinhu Real Estate Co., Ltd.	312,037.28	50,762.51	50,762.51	57,885.64
Pingyang Lide Tideland Reclamation and Development Co., Ltd.	81,526.05	38,536.31	38,536.31	-7,268.62

(II) Transactions resulting in changes in subsidiaries' equity but without losing control

1. Changes in subsidiaries' equity

Subsidiaries	Date of change	Holding proportion before change	Holding proportion after change
Shanghai Xinhu Real Estate Co., Ltd.	12/20/2019	98.00%	63.00%
Shanghai Rongzhe Investment Development Co., Ltd. [Note]	12/19/2019	60.00%	95.00%
Wenzhou Xinhu Real Estate Co., Ltd.	12/12/2019	99.80%	100.00%

Note: Shanghai Rongzhe Investment Development Co., Ltd. holds 100% of the shares of Rui'an Zhongbao Real Estate Co., Ltd. Therefore, when the Company purchased 35% shares of Shanghai Rongzhe Investment and Development Co., Ltd. in the current period, its shareholding proportion in Rui'an Zhongbao Real Estate Co., Ltd. increased by 35% correspondingly.

2. Effect of transactions on non-controlling interest and equity attributable to parent company

Items	Shanghai Xinhu Real Estate Co., Ltd.	Shanghai Rongzhe Investment Development Co., Ltd.	Wenzhou Xinhu Real Estate Co., Ltd.
Acquisition costs/ Disposal considerations	550,000,000.00	390,000,000.00	
Cash	550,000,000.00	390,000,000.00	
Total acquisition costs/ disposal considerations	550,000,000.00	390,000,000.00	
Less: Share in subsidiaries' net assets based on acquired/ disposed net assets proportion	70,000,000.00	34,872,111.65	126,664.83
Balance	480,000,000.00	-355,127,888.35	126,664.83
Including: Capital reserve adjusted	480,000,000.00	-355,127,888.35	126,664.83

(III) Interest in joint venture or associates

1. Significant joint ventures or associates

(1) Basic information

Joint ventures or associates	Main operating place	Place of registration	Business nature	Holding proportion (%)		Accounting treatment
				Direct	Indirect	
Hangzhou Huxin Investment Co., Ltd.	Hangzhou	Hangzhou	Investment, planning and consulting	50.00		Equity method
Hangzhou Xinxiang Investment Management Co., Ltd.	Hangzhou	Hangzhou	Investment management, investment consulting, real estate		50.00	Equity method
Xinhu Holdings Co., Ltd.	Hangzhou	Hangzhou	Industrial investment	48.00		Equity method
Shengjing Bank	Shenyang	Shenyang	Financial service	3.41		Equity method
China CITIC Bank	Beijing	Beijing	Financial service		4.99	Equity method
Bank of Wenzhou	Wenzhou	Wenzhou	Financial service	18.15		Equity method
Jiangsu Xinhu Baohua Real Estate Co., Ltd.	Jurong	Jurong	Real estate	35.00		Equity method
Inner Mongolia Hehe Real Estate Co., Ltd.	Hohhot	Hohhot	Real estate development and selling	20.00		Equity method
Gansu Northwest Mining Group Co., Ltd.	Lanzhou	Lanzhou	Investment in nonferrous metals industry	34.40		Equity method
Xinhu Futures Co., Ltd.	Shanghai	Shanghai	Commodity, financial futures agency	7.67	22.00	Equity method
Enshi Yufeng Real Estate Development Co., Ltd.	Enshi	Enshi	Real estate		48.00	Equity method
Tongka Liancheng Network Technology Co., Ltd.	Hangzhou	Hangzhou	Computer information service	21.86		Equity method
Wind Information	Shanghai	Shanghai	Computer information service		6.67	Equity method
Hangzhou Hyperchain Technologies Co., Ltd.	Hangzhou	Hangzhou	Technology development consulting, computer information service		49.00	Equity method
Qumei Information	Shanghai	Shanghai	Technology development consulting, computer information service		19.02	Equity method

Joint ventures or associates	Main operating place	Place of registration	Business nature	Holding proportion (%)		Accounting treatment
				Direct	Indirect	
Hangzhou Harmony Cloud Technology Co., Ltd.	Hangzhou	Hangzhou	Technology development consulting, computer information service		12.30	Equity method
Bangsun Technology	Hangzhou	Hangzhou	Technology development consulting, computer information service		14.05	Equity method
ASIA PACIFIC EXCHANGE PTE LTD.	Singapore	Singapore	Financial service		20.00	Equity method
Qingdao Jingque Xinyuan Investment Partnership (LP)	Qingdao	Qingdao	Investment management, asset management		52.23	Equity method
Hangzhou Yixian Advanced Technology Co., Ltd.	Hangzhou	Hangzhou	Computer software technology development and consulting, software services and consulting		4.81	Equity method
Hangzhou Honghua Digital Technology Co., Ltd.	Hangzhou	Hangzhou	Computer plate making, digital printing		25.00	Equity method

(2) Basis for significant influence over an entity on which the Company held less than 20% voting rights or insignificant influence over an entity on which the Company held more than 20% voting rights

The Company holds 3.41% equity of Shengjing Bank Co., Ltd. ("Shengjing Bank"), 18.15% equity of Bank of Wenzhou Co., Ltd. ("Bank of Wenzhou"), 4.99% equity of China CITIC Bank Co., Ltd. ("CITIC Bank"), 6.67% equity of Wind Information Technology Co., Ltd., 19.02% equity of Shanghai Qumei Information Technology Co., Ltd. ("Qumei Information"), 12.30% equity of Hangzhou Harmony Cloud Technology Co., Ltd., 14.05% equity of Zhejiang Bangsun Technology Co., Ltd. ("Bangsun Technology") and 4.81% equity of Hangzhou Yixian Advanced Technology Co., Ltd., respectively being the eighth largest shareholder, the single largest shareholder, the second largest shareholder, the third largest shareholder, the second largest shareholder, the second largest shareholder, the second largest shareholder and the fourth largest of these eight companies, and has already dispatched directors. Therefore, the Company has significant influence over these eight companies.

(3) Basis for insignificant influence over an entity on which the Company held more than 50% voting rights

The voting right proportion of the Company over Qingdao Jingque Xinyuan Investment Partnership (LP) is 52.23%. Pursuant to the partnership agreement, proceedings at the Partners' Meeting should be approved by more than two thirds of partners who actually pay contribution. Therefore, the Company doesn't have control over such entity, and relevant investment is accounted for under equity method.

2. Main financial information of significant associates Unit: ten thousand yuan

Items	Closing balance/Current period cumulative			
	Xinhu Holding Co., Ltd.	Shengjing Bank Co., Ltd.	Bank of Wenzhou Co., Ltd.	China CITIC Bank Co., Ltd.
Current assets	3,198,899.39	[Note 1]	[Note 1]	[Note 1]
Non-current assets	189,906.95			
Total assets	3,388,806.34	102,148,079.60	23,047,193.99	675,043,300.00
Current liabilities	2,206,589.12			
Non-current liabilities	575,739.53			
Total liabilities	2,782,328.65	94,235,881.10	21,745,529.57	621,790,900.00
Non-controlling interest	188,079.58	56,645.30		1,521,300.00
Equity attributable to owners of parent company	418,398.10	7,855,553.20	1,301,664.42	51,731,100.00
Proportionate share in net assets	200,831.09	267,904.02	236,269.49	2,586,042.29
Adjustments	15,184.09	3,258.22	206.01	-390,337.61
Goodwill	25,811.64	3,258.22	206.01	
Unrealized profit in internal trading	-10,627.55			
Others				-390,337.61 [Note 2]
Carrying amount of investments in associates	216,015.18	271,162.24	236,475.50	2,195,704.68
Fair value of equity investments in associates in association with quoted price		162,584.07		1,023,344.23
Operating revenue	410,767.78	2,100,726.70	423,071.21	18,758,400.00
Net profit	-22,507.81	544,322.40	69,293.43	4,801,500.00
Net profit of discontinued operations				
Other comprehensive income	-1,793.13	-72,581.30	9,659.46	209,200.00
Total comprehensive income	-24,300.94	471,741.10	78,952.89	5,010,700.00
Dividend from associates received in current period		3,600.00		56,264.10

(Continued)

Items	Opening balance/Preceding period comparative			
	Xinhu Holding Co., Ltd.	Shengjing Bank Co., Ltd.	Bank of Wenzhou Co., Ltd.	China CITIC Bank Co., Ltd.
Current assets	2,497,446.37	[Note 1]	[Note 1]	[Note 1]
Non-current assets	350,297.27			
Total assets	2,847,743.64	98,543,294.00	22,627,601.19	606,671,400.00
Current liabilities	1,579,015.07			
Non-current liabilities	638,515.22			
Total liabilities	2,217,530.29	92,840,345.60	21,404,889.65	561,362,800.00
Non-controlling interest	187,485.18	57,161.60		1,642,500.00
Equity attributable to owners of parent company	442,728.17	5,645,786.80	1,222,711.53	43,666,100.00
Proportionate share in net assets	212,509.52	292,190.70	221,938.49	2,182,872.22
Adjustments	16,960.99	4,944.47	206.01	-174,740.36
Goodwill	25,811.64	4,944.47	206.01	
Unrealized profit in internal trading	-8,850.65			

Items	Opening balance/Preceding period comparative			
	Xinhu Holding Co., Ltd.	Shengjing Bank Co., Ltd.	Bank of Wenzhou Co., Ltd.	China CITIC Bank Co., Ltd.
Others				-174,740.36
Carrying amount of investments in associates	229,470.51	297,135.17	222,144.50	2,008,131.86
Fair value of equity investments in associates in association with quoted price		89,635.26		1,020,266.68
Operating revenue	398,989.92	1,588,546.60	361,764.07	16,485,400.00
Net profit	-39,268.80	512,871.70	51,010.28	4,451,300.00
Net profit of discontinued operations				
Other comprehensive income	-37,273.85	127,827.90	10,311.30	1,250,900.00
Total comprehensive income	-76,542.65	640,699.60	61,321.58	5,702,200.00
Dividend from associates received in current period		5,400.00		63,847.52

Note 1: As Shengjing Bank Co., Ltd., Bank of Wenzhou Co., Ltd., and China CITIC Bank Co., Ltd. belong to the financial industry, and their assets and liabilities in financial statements are not classified by liquidity, assets and liabilities are presented in total amount.

Note 2: They are the preferred shares, convertible bonds, and perpetual bonds of China CITIC Bank Co., Ltd. and the difference between fair value of net identifiable assets and the carrying amount of net assets of China CITIC Bank Co., Ltd. that are not attributable to the Company.

3. Aggregated financial information of insignificant joint ventures and associates

Unit: ten thousand yuan

Items	Closing balance/ Current period cumulative	Opening balance/ Preceding period comparative
Associates		
Total carrying amount of investments	573,546.75	436,131.69
Proportionate shares in the following items		
Net profit	24,208.92	-1,673.34
Other comprehensive income	315.29	235.07
Total comprehensive income	24,524.21	-1,438.27

VIII. Risks related to financial instruments

The Company aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance. Based on such objectives, the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. Management have deliberated and approved policies concerning such risks, and details are:

(I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

1. Credit risk management practice

(1) Evaluation method of credit risk

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When assessing whether the credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, which is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating, and forward-looking information. The Company determines the changes in default risk of financial instruments during the estimated lifetime through comparison of the default risk at the balance sheet date and the initial recognition date, on an individual basis or a collective basis.

The Company considers the credit risk on a financial instrument has increased significantly when one or more of the following qualitative and quantitative standards are met:

1) Quantitative standard mainly relates to the scenario in which, on the balance sheet date, the probability of default in the remaining lifetime has risen by more than a certain percentage compared with the initial recognition;

2) Qualitative standard mainly relates to significant adverse changes in the debtor's operation or financial position, present or expected changes in technology, market, economy or legal environment that will have significant adverse impact on the debtor's repayment ability;

(2) Definition of default and credit-impaired asset

A financial asset is credit-impaired when one or more following events have occurred:

1) significant financial difficulty of the debtor;

2) a breach of binding clause of contract;

3) it is very likely that the debtor will enter bankruptcy or other financial reorganization;

4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor would not otherwise consider.

2. Measurement of expected credit losses

The key factors in the measurement of expected credit loss include the probability of default, loss rate of default, and exposure to default risk. The Company develops a model of the probability of default, loss rate of default, and exposure to default risk on the basis of quantitative analysis of historical data (e.g. counterparty rating, guarantee measures and collateral type, payment method, etc.) and forward-looking information.

3. Please refer to section V (I) 4, 6 for details on the reconciliation table of opening balance and closing balance of provision for losses of financial instrument.

4. Exposure to credit risk and concentration of credit risk

The Company's credit risk is primarily attributable to cash and bank balances and receivables. In order to control such risks, the Company has taken the following measures:

(1) Cash and bank balances

The Company deposits its bank balances and other cash and bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

(2) Receivables

The Company performs credit assessment on customers who uses credit settlement on a continuous basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on receivables, to avoid significant risks in bad debts.

As the Company's credit risks fall into several business partners and customers, as of December 31 2019, 83.49% (December 31, 2018: 96.37%) of the total accounts receivable was due from the five largest customers of the Company. The Company has no significant central credit risk.

The maximum amount of exposure to credit risk of the Company is the carrying amount of each financial asset on the balance sheet.

(II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company utilized financing tools such as notes settlement, bank borrowings, etc. and adopts long and short financing methods to optimizing financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

Financial instruments classified based on remaining time period till maturity

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within one year	1-3 years	Over 3 years
Financing institution borrowings	53,984,910,364.02	64,181,408,450.06	17,162,445,331.95	26,445,472,436.80	20,573,490,681.31
Notes payable	432,363,905.00	432,363,905.00	432,363,905.00		
Accounts payable	3,197,714,791.31	3,197,714,791.31	3,197,714,791.31		
Other payables	4,751,021,670.57	4,751,021,670.57	4,751,021,670.57		
Bonds payable	23,139,003,759.10	26,051,051,266.33	10,666,636,970.59	13,610,295,802.59	1,774,118,493.15
Subtotal	85,505,014,490.00	98,613,560,083.27	36,210,182,669.42	40,055,768,239.39	22,347,609,174.46

(Continued)

Items	Opening balance				
	Carrying amount	Contract amount not yet discounted	Within one year	1-3 years	Over 3 years
Financing institution borrowings	55,687,710,841.51	67,349,120,809.44	15,760,086,287.80	17,723,785,074.58	33,865,249,447.06
Notes payable	110,000,000.00	110,000,000.00	110,000,000.00		
Accounts payable	2,014,218,064.83	2,014,218,064.83	2,014,218,064.83		
Other payables	1,881,349,909.46	1,881,349,909.46	1,881,349,909.46		
Bonds payable	25,813,021,672.85	29,005,097,287.26	9,586,026,818.91	17,007,478,687.53	2,411,591,780.82
Subtotal	85,506,300,488.65	100,359,786,070.99	29,351,681,081.00	34,731,263,762.11	36,276,841,227.88

(III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market price.

1. Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market interest. The Company's fair value interest risks arise from fixed-rate financial instruments, while the cash flow interest risks arise from floating interest financial instruments. The Company determines the proportion of fixed-rate financial instruments and floating interest rate financial instruments based on the market environment, and maintains a proper financial instruments portfolio through regular review and monitoring. The Company's interest risk relates mainly to bank borrowings with floating interest rate.

As of December 31, 2019, balance of borrowings with interest accrued at floating interest rate totaled 36,625,879,390.65 yuan (December 31, 2018: 36,941,818,775.31 yuan). If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's gross profit and equity will not be significantly affected.

2. Foreign currency risk

Foreign currency risk is the risk arising from changes in fair value or future cash flows of financial instrument resulted from changes in exchange rate. The Company's foreign currency risk relates mainly to foreign currency monetary assets and liabilities. When short-term imbalance occurred to foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary, in order to maintain the net risk exposure within an acceptable level.

Please refer to section V (IV) 2 of notes to financial statements for details in foreign currency financial assets and liabilities at the end of the period.

IX. Fair value disclosure

(I) Details of fair value of assets and liabilities at fair value at the balance sheet date

Items	Fair value as of the balance sheet date			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurement				
1. Held-for-trading financial assets and other non-current financial assets	2,091,288,999.03	1,838,070,493.88	6,415,906,139.39	10,345,265,632.30
(1) Financial assets classified as at fair value through profit or loss	2,091,288,999.03	1,838,070,493.88	6,415,906,139.39	10,345,265,632.30
Debt instrument investments			1,306,161,616.16	1,306,161,616.16
Equity instrument investments	1,985,035,768.70		5,109,744,523.23	7,094,780,291.93
Fund and asset management plan	106,253,230.33	1,838,070,493.88		1,944,323,724.21
2. Other equity instrument investments		340,748,529.64	2,002,269,411.00	2,343,017,940.64
Total assets at recurring fair value measurement	2,091,288,999.03	2,178,819,023.52	8,418,175,550.39	12,688,283,572.94

(II) Basis for determining level 1 fair value at recurring and non-recurring fair measurement

There are quoted prices for the Company's assets and liabilities at fair value in active markets.

(III) Valuation technique(s) and key input(s) for level 2 fair value at recurring and non-recurring fair measurement

It is determined by unit net value presented in the asset management plan provided by fund management companies.

(IV) Valuation technique(s) and key input(s) for level 3 fair value at recurring and non-recurring fair measurement

The financial instruments at level 3 fair value are mainly unlisted equity investments held by the Company and its subsidiaries. The Company and its subsidiaries use valuation techniques to determine fair value of significant investments.

X. Related party relationships and transactions

(I) Related party relationships

1. Parent company

(1) Details

Parent company	Place of registration	Business nature	Registered capital	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
Zhejiang Xinhu Group Co., Ltd.	Hangzhou	Investment & development including energy and agriculture	377,383,300.00	40.18	40.23

Remarks on the parent company

Zhejiang Xinhu Group Co., Ltd. directly holds 32.41% equity of the Company, and indirectly holds 2.44% equity of the Company through its wholly-owned subsidiary 浙江恒兴力控股集团有限公司 (Zhejiang Hengxingli Holding Group Co., Ltd.*), as well as 5.38% equity of the Company through its subsidiary 宁波嘉源实业发展有限公司 (Ningbo Jiayuan Industrial Development Co., Ltd.*) with holding proportion of 99%. 黄伟 (Huang Wei) directly holds 16.86% equity of the Company, 53.06% equity of Zhejiang Xinhu Group Co., Ltd. and 1% equity of 宁波嘉源实业发展有限公司 (Ningbo Jiayuan Industrial Development Co., Ltd.*). Therefore, Huang Wei directly and indirectly holds 38.23% equity of the Company.

(2) The Company's ultimate controlling party is Huang Wei.

2. Please refer notes to interest in other entities for details on the Company's subsidiaries.

3. Joint ventures and associates of the Company

Please refer notes to interest in other entities for details on the Company's joint ventures and associates.

4. Other related parties of the Company

Related parties	Relationships with the Company
Jiaxing Nanhu International Experimental School	Running by the second-tier subsidiary Jiaxing Nahu International Education Investment Co., Ltd. under BOT
Jiaxing Senior High School	Running by the second-tier subsidiary Jiaxing Nahu International Education Investment Co., Ltd. under BOT
Jiaxing Xiuzhou Modern Experimental School	Running by the second-tier subsidiary Jiaxing Nahu International Education Investment Co., Ltd. under BOT
湘财证券股份有限公司 (Xiangcai Securities Co., Ltd.*)	Holding subsidiary of the parent company
上海新湖绿城物业服务有限公司 (Shanghai Xinhu Greentown Property Service Co., Ltd.*)	Holding subsidiary of the parent company

* *The English names are for identification purpose only.*

Related parties	Relationships with the Company
浙江新湖绿城物业服务有限公司（Zhejiang Xinhu Greentown Property Service Co., Ltd.*)	Holding subsidiary of the parent company
衢州新湖绿城物业服务有限公司（Quzhou Xinhu Greentown Property Service Co., Ltd.*)	Holding subsidiary of the parent company
沈阳新湖绿城物业服务有限公司（Shenyang Xinhu Greentown Property Service Co., Ltd.*)	Holding subsidiary of the parent company
Ningbo Jiayuan Industrial Development Co., Ltd.	Shareholder, and an affiliated company of the parent company
Zhejiang Hengxingli Holding Group Co., Ltd.	Shareholder, and an affiliated company of the parent company
哈高科绥棱二塑防水工程有限公司 (Harbin Hi-Tech Suiling Second Plastic Waterproofing Engineering Co., Ltd.*)	Holding subsidiary of the parent company
黑龙江省哈高科营养食品有限公司 (Heilongjiang Harbin Hi-Tech Nutritious Food Co., Ltd.*)	Holding subsidiary of the parent company
杭州新湖绿城生活服务有限公司（Hangzhou Xinhu Greentown Life Service Co., Ltd.*)	Holding subsidiary of the parent company
中信银行（国际）有限公司 (China CITIC Bank International Limited*)	Holding subsidiary of the Company's associate
信銀(香港)資本有限公司 (CNCB (Hong Kong) Capital Limited*)	Holding subsidiary of the Company's associate
香港欣禾国际投资有限公司（Hong Kong Xinhe International Investment Co., Ltd.*)	Holding subsidiary of the Company's associate
李萍（Li Ping)	Spouse of the ultimate controller Huang Wei

(II) Related party transactions

1. Purchase and sale of goods, rendering and receiving services

(1) Details

1) Purchase of goods and receiving of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Zhejiang Xinhu Greentown Property Service Co., Ltd.	Property services	17,051,077.99	14,735,687.00
Shanghai Xinhu Greentown Property Service Co., Ltd.	Property services	76,634,612.03	54,249,645.08
Quzhou Xinhu Greentown Property Service Co., Ltd.	Property services	4,251,375.47	5,567,815.64
Shenyang Xinhu Greentown Property Service Co., Ltd.	Property services	5,538,622.63	6,132,170.71
Harbin Hi-Tech Suiling Second Plastic Waterproofing Engineering Co., Ltd.	Waterproof engineering	14,959,182.42	6,654,260.39
Heilongjiang Harbin Hi-Tech Nutritious Food Co., Ltd.	Grain and oil payment	189,383.08	637,124.93

2) Sale of goods and rendering of services

* *The English names are for identification purpose only.*

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Jiangsu Xinhu Baohua Real Estate Co., Ltd.	Engineering and marketing service charges	12,767,581.09	14,294,829.25
Jiangsu Xinhu Baohua Real Estate Co., Ltd.	Elevator	2,994,010.27	2,619,956.89
Shanghai Xinhu Greentown Property Service Co., Ltd.	Sale of goods		249,451.46
Hangzhou Xinhu Greentown Life Service Co., Ltd.	Sale of goods	22,491,533.55	

2. Related party leases

(1) Details

1) The Company as the lessor

Lessees	Types of asset leased	Lease income for current period	Lease income for the preceding period
Shanghai Xinhu Greentown Property Service Co., Ltd.	Parking lot	666,899.60	676,568.87
Jiangsu Xinhu Baohua Real Estate Co., Ltd.	Vehicle	339,777.24	201,724.14

2) The Company as the lessee

Lessors	Types of asset leased	Lease expenses for current period	Lease expenses for the preceding period
Zhejiang Xinhu Greentown Property Service Co., Ltd.	Real estate	546,085.45	711,412.11
Shanghai Xinhu Greentown Property Service Co., Ltd.	Real estate	56,603.77	56,603.77

3. Related party guarantees

(1) Details

1) The Company and its subsidiaries as guarantors

Guaranteed parties	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
Zhejiang Xinhu Group Co., Ltd.	149,000,000.00	2/12/2019	2/11/2020	No
Zhejiang Xinhu Group Co., Ltd.	51,000,000.00	6/19/2019	6/18/2020	No
Zhejiang Xinhu Group Co., Ltd.	250,000,000.00	7/9/2019	7/9/2020	No
Zhejiang Xinhu Group Co., Ltd.	250,000,000.00	3/5/2019	3/5/2020	No
Zhejiang Xinhu Group Co., Ltd.	400,000,000.00	8/26/2019	8/23/2021	No
Zhejiang Xinhu Group Co., Ltd.	200,000,000.00	7/22/2019	2/5/2020	No
Zhejiang Xinhu Group Co., Ltd.	100,000,000.00	7/17/2019	7/17/2020	No
Zhejiang Xinhu Group Co., Ltd.	100,000,000.00	8/8/2019	8/7/2020	No
Zhejiang Xinhu Group Co., Ltd.	125,000,000.00	11/4/2019	11/3/2020	No
Zhejiang Xinhu Group Co., Ltd.	55,000,000.00	6/6/2019	6/5/2020	No
Zhejiang Xinhu Group Co., Ltd.	200,000,000.00	9/12/2019	3/12/2020	No
Zhejiang Xinhu Group Co., Ltd.	50,000,000.00	11/18/2019	5/31/2020	No
Zhejiang Xinhu Group Co., Ltd.	140,000,000.00	11/18/2019	7/31/2020	No

Guaranteed parties	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
Zhejiang Xinhu Group Co., Ltd.	250,600,000.00	11/18/2019	10/29/2020	No
Zhejiang Xinhu Group Co., Ltd.	459,400,000.00	11/18/2019	10/31/2020	No
Zhejiang Xinhu Group Co., Ltd.	140,000,000.00	8/15/2019	8/12/2020	No
Zhejiang Xinhu Group Co., Ltd.	140,000,000.00	8/19/2019	8/12/2020	No
Zhejiang Xinhu Group Co., Ltd.	500,000,000.00	12/10/2019	12/10/2020	No
Jiaxing Nanhu International Experimental School	14,500,000.00	2/27/2019	2/27/2022	No
Jiaxing Xiuzhou Modern Experimental School	14,000,000.00	2/28/2019	6/27/2021	No
Jiaxing Xiuzhou Modern Experimental School	15,000,000.00	3/28/2019	3/27/2020	No
Total	3,603,500,000.00			

2) The Company and its subsidiaries as guaranteed parties

Guarantors	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
Zhejiang Xinhu Group Co., Ltd.	105,000,000.00	4/18/2019	3/21/2020	No
Zhejiang Xinhu Group Co., Ltd.	50,000,000.00	5/9/2019	5/8/2020	No
Zhejiang Xinhu Group Co., Ltd.	25,000,000.00	12/27/2019	12/27/2020	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	400,000,000.00	1/4/2019	1/3/2020	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	50,000,000.00	1/11/2019	1/10/2020	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	150,000,000.00	3/26/2019	3/20/2020	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	80,000,000.00	5/20/2019	5/19/2020	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	200,000,000.00	6/17/2019	6/11/2020	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	50,000,000.00	7/15/2019	7/15/2020	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	300,000,000.00	7/30/2019	7/28/2020	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	98,000,000.00	8/2/2019	2/5/2020	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	148,000,000.00	8/19/2019	8/18/2020	No
Xinhu Holding Co., Ltd.	145,000,000.00	7/30/2019	10/30/2020	No
Xinhu Holding Co., Ltd., Huang Wei, and Li Ping	135,000,000.00	5/5/2019	5/4/2020	No
Xinhu Holding Co., Ltd., Huang Wei, and Li Ping	60,000,000.00	9/27/2019	9/25/2020	No
Zhejiang Xinhu Group Co., Ltd., Huang Wei, and Li Ping	200,000,000.00	9/25/2019	9/25/2020	No
Huang Wei, and Li Ping	250,000,000.00	1/25/2017	1/24/2020	No
Huang Wei, and Li Ping	180,000,000.00	8/22/2017	6/28/2020	No
Huang Wei, and Li Ping	480,000,000.00	10/12/2017	10/11/2020	No
Huang Wei, and Li Ping	40,000,000.00	1/31/2018	1/25/2021	No
Huang Wei, and Li Ping	11,445,810,000.00	3/9/2018	8/10/2027	No
Huang Wei, and Li Ping	430,000,000.00	8/28/2018	6/7/2020	No
Huang Wei, and Li Ping	20,000,000.00	8/28/2018	6/7/2020	No
Huang Wei, and Li Ping	783,000,000.00	9/14/2018	9/16/2021	No
Huang Wei, and Li Ping	690,000,000.00	9/29/2018	12/20/2021	No

Guarantors	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
Huang Wei, and Li Ping	350,000,000.00	10/24/2018	10/24/2020	No
Huang Wei, and Li Ping	850,000,000.00	11/9/2018	11/18/2021	No
Huang Wei, and Li Ping	305,000,000.00	1/11/2019	1/9/2024	No
Huang Wei, and Li Ping	68,990,000.00	4/4/2019	10/3/2020	No
Huang Wei, and Li Ping	60,410,000.00	4/23/2019	10/22/2020	No
Huang Wei, and Li Ping	725,000,000.00	4/24/2019	4/23/2022	No
Huang Wei, and Li Ping	300,000,000.00	6/4/2019	12/4/2020	No
Huang Wei, and Li Ping	33,000,000.00	6/28/2019	6/27/2020	No
Huang Wei, and Li Ping	800,000,000.00	7/29/2019	7/28/2021	No
Huang Wei, and Li Ping	28,200,000.00	9/29/2019	9/25/2020	No
Huang Wei, and Li Ping	790,000,000.00	9/30/2019	9/29/2022	No
Huang Wei, and Li Ping	13,700,000.00	10/17/2019	10/16/2020	No
Huang Wei, and Li Ping	495,000,000.00	11/15/2019	11/12/2021	No
Huang Wei, and Li Ping	1,600,000,000.00	11/22/2019	11/22/2021	No
Huang Wei	600,000,000.00	10/25/2016	10/24/2022	No
Huang Wei	3,010,000,000.00	5/11/2017	10/24/2022	No
Huang Wei	400,000,000.00	10/25/2016	20/24/2022	No
Huang Wei	1,147,398,000.00	2/5/2018	1/23/2020	No
Total	28,091,508,000.00			

4. Call loans between related parties

(1) Call loans from related parties

Related parties	Borrowing	Repayment
Jiaxing Senior High School	15,000,000.00	15,000,000.00
Jiaxing Xiuzhou Modern Experimental School	71,600,000.00	66,700,000.00
Jiaxing Nanhu International Experimental School	67,500,000.00	63,500,000.00
Jiangsu Xinhu Baohua Real Estate Co., Ltd.	69,443,884.62	124,349,269.24
Subtotal	223,543,884.62	269,549,269.24

(2) Call loans to related parties

Related parties	Lending	Calling in
Gansu Northwest Mining Group Co., Ltd.	45,000,000.00	45,000,000.00
Enshi Yufeng Real Estate Development Co., Ltd.	122,000,000.00	30,000,000.00
Xinhu Holding Co., Ltd.	714,000,000.00	514,000,000.00
Hong Kong Xinhe International Investment Co., Ltd.	13,797,000.00	13,797,000.00
Subtotal	894,797,000.00	602,797,000.00

5. Borrowings from related parties

Related parties	Content of transaction	Interest	Closing balance/ Current period cumulative	Opening balance/ Preceding period comparative
Shengjing Bank Co., Ltd.	Bank borrowings	[Note 1]	263,160,000.00	543,000,000.00
Shengjing Bank Co., Ltd.	Interest	[Note 1]	35,823,050.87	24,201,483.10
Bank of Wenzhou Co., Ltd.	Bank borrowings	[Note 2]	1,570,000,000.00	1,602,000,000.00
Bank of Wenzhou Co., Ltd.	Interest	[Note 2]	123,406,679.38	105,119,604.28
China CITIC Bank Co., Ltd.	Bank borrowings	[Note 3]	8,837,010,000.00	5,856,010,000.00
China CITIC Bank Co., Ltd.	Interest	[Note 3]	379,216,180.15	129,446,743.13

Note 1: Interest rate of the borrowings provided by Shengjing Bank Co., Ltd. is set among interest rate range published by the People's Bank of China.

Note 2: Interest rate of the borrowings provided by Bank of Wenzhou Co., Ltd. is set among interest rate range published by the People's Bank of China.

Note 3: Interest rate of the borrowings provided by China CITIC Bank Co., Ltd. is set among interest rate range published by the People's Bank of China.

6. Transactions with key management

Emoluments and transactions

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	5.68 million	4.88 million
Sales and purchase of commodity houses and parking space	6,496,967.62	8,707,754.29
Accounts receivable		6,390,000.00
Advances received	7,431,850.00	10,986,668.00

7. Other related party transactions

(1) Pursuant to the Equity Transfer Agreement entered into between the subsidiary Zhejiang Xinhu Zhinao Investment Management Partnership (LP) and Xinhu Holding Co., Ltd., Zhejiang Xinhu Zhinao Investment Management Partnership (LP) acquired 1.9763% equity of Zhejiang Bangsun Technology Co., Ltd. that held by Xinhu Holding Co., Ltd. at the consideration of 49,407,104 yuan. As of the balance sheet date, the equity transfer has been completed and registered at administration for industry and commerce.

(2) Pursuant to the resolution deliberated and approved by the 10th meeting of the 10th session of the Board of Directors, the Company entered into the Agreement on Acquisition of Assets of

Xiangcai Securities Co., Ltd. Through Issuing Shares with 哈尔滨高科技（集团）股份有限公司 (Harbin Hi-Tech (Group) Co., Ltd.*, hereinafter referred to as "Harbin Hi-Tech"), and Harbin Hi-Tech would acquire 132,018,882 shares of Xiangcai Securities Co., Ltd. (accounting for 3.5844% of its total shares) through issuing shares. As of the date of report, the transaction is not completed.

(3) At the end of the period, balance of the Company's cash deposited in Shengjing Bank amounted to 168,625,296.27 yuan, and interest received in the current period amounted to 2,260,703.50 yuan at the deposit interest rate published by the People's Bank of China.

(4) At the end of the period, balance of the Company's cash deposited in Bank of Wenzhou amounted to 863,884,938.76 yuan, and interest received in the current period amounted to 1,253,587.63 yuan at the deposit interest rate published by the People's Bank of China.

(5) At the end of the period, balance of the Company's cash deposited in China CITIC Bank amounted to 2,712,016,716.02 yuan, and interest received in the current period amounted to 65,789,459.03 yuan at the deposit interest rate published by the People's Bank of China.

(6) In the current period, the offshore bond underwriting fee incurred with CNCB (Hong Kong) Capital Limited totaled USD 640,000 and the offshore bond underwriting fee incurred with China CITIC Bank International Limited totaled USD 640,000.

(III) Balance due to or from related parties

1. Balance due from related parties

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Advances paid					
	Shanghai Xinhu Greentown Property Service Co., Ltd.	118,722.67		618,722.98	
	Shenyang Greentown Property Service Co., Ltd.	2,759,187.97			
Subtotal		2,877,910.64		618,722.98	
Other receivables					
	Gansu Northwest Mining Group Co., Ltd.	47,586,046.82		44,377,998.74	
	Zhejiang Xinhu Group Co., Ltd.			47,040,000.00	
	Enshi Yufeng Real Estate Development Co., Ltd.	131,036,146.98		30,110,468.26	
	Xinhu Holding Co., Ltd.	2,856,640,555.52		2,478,359,027.77	
	Shanghai Xinhu Greentown Property Service Co., Ltd.			1,634,842.22	
	Hangzhou Huxin Investment Co., Ltd.	1,200.00		1,200.00	
Subtotal		3,035,263,949.32		2,601,523,536.99	

* *The English name is for identification purpose only.*

2. Balance due to related parties

Items	Related parties	Closing balance	Opening balance
Accounts payable			
	Zhejiang Xinhu Greentown Property Service Co., Ltd.	271,980.00	241,499.62
	Harbin Hi-Tech Suiling Second Plastic Waterproofing Engineering Co., Ltd.	4,347,942.64	3,136,547.64
	Shanghai Xinhu Greentown Property Service Co., Ltd.	4,728,885.33	5,434,655.72
	Quzhou Xinhu Greentown Property Service Co., Ltd.	60,000.00	
Subtotal		9,408,807.97	8,812,702.98
Advances paid			
	Jiangsu Xinhu Baohua Real Estate Co., Ltd.	138,053.09	201,724.14
Subtotal		138,053.09	201,724.14
Other payables			
	Inner Mongolia Hehe Real Estate Co., Ltd.	6,000,000.00	14,000,000.00
	Jiaxing Xiuzhou Modern Experimental School	49,470,912.06	20,593,995.41
	Jiaxing Senior High School	9,786,617.61	29,763,817.83
	Jiaxing Nanhu International Experimental School	42,173,623.30	11,056,008.39
	Harbin Hi-Tech Suiling Second Plastic Waterproofing Engineering Co., Ltd.	514,873.95	604,873.95
	Jiangsu Xinhu Baohua Real Estate Co., Ltd.	37,219,146.53	92,539,117.96
	Shanghai Xinhu Greentown Property Service Co., Ltd.	200,000.00	
	Shenyang Xinhu Greentown Property Service Co., Ltd.		29,630.50
	Heilongjiang Harbin Hi-Tech Nutritious Food Co., Ltd.		27,000.00
Subtotal		145,365,173.45	168,614,444.04

(IV) Related party commitments

Under the deliberation and approval of the 41st meeting of the ninth session of the Board of Directors, the Company intends to increase investment of 1,229,964,216 yuan into Hangzhou Qulian Technology Co., Ltd. in the form of capital increase and equity transfer, after which, the Company will hold 49% equity in total. As of the date of the financial statements, such change has been registered at administration for industry and commerce. Investment obligation to be performed amounted to 18,414,810,000 yuan in accordance with the contract.

XI. Share-based payment

(I) Overall information

1. Details

Total equity instruments granted in current period	0
Total equity instruments vested in current period	0
Total equity instruments retired in current period	241,140,000
The range of exercise prices of share options outstanding at the end of the period and the remaining contractual life	The Company has no outstanding share option at the end of the period.
The range of exercise prices of equity instruments at the end of the period and the remaining contractual life	The Company has no other outstanding equity instrument at the end of the period.

2. Other remarks

Pursuant to the Bill on Grant of the Stock Incentive Plan of 2015 passed by the sixth meeting of the ninth session of the Board of Directors dated January 4, 2016, the initial grant date of stock option is set on January 4, 2016.

At the grant date, the incented targets, including Directors, other than independent Directors, Supervisors, Senior Management and other business backbones, are granted with share options on 401.90 million shares, each share option has the right to purchase 1 share of the Company's share at the exercisable date, which is within four years since the grant date, at the exercisable price of 5.58 yuan per share.

The valid term of the incentive plan is within four years since grant date, and the exercisable period from 12 months to 48 months since the initial grant date. Details are:

The first exercisable period is from 12 months to 24 months since the grant date, and the exercisable option is the 40% of the total granted options;

The second exercisable date is from 24 months to 36 months since the grant date, and the exercisable option is the 30% of the total granted options;

The third exercisable date is from 36 months to 48 months since the grant date, and the exercisable option is the 30% of the total granted options.

(II) Equity-settled share-based payment

1. Details

Determination method for grant-date fair value of equity instruments	[Note]
Determination method for the best estimate of the number of equity instruments expected to vest	Best estimates on exercisable staff are adjusted at each balance sheet date based on latest information.
Reasons for significant difference between the estimates in current period and preceding period	None

Capital reserve accumulated due to equity-settled share-based payment	140,831,515.64
Total expenses incurred due to equity-settled share-based payment transactions	0

2. Other remarks

Note: Pursuant to the requirements of CASBE 11 – Share-based Payment, the Company's option is valued with the Black-Scholes model, as there is neither existing market price, nor comparable market price under identical transaction conditions. The parameters determined by the model are as follows:

Share price at the grant date: 4.35 yuan (the closing market price as at January 4, 2016).

Exercising price: 5.58 yuan

Remaining time in the vesting period of each installment:

Vesting period	Vesting period (years)	Average remaining time in the vesting period (years)
First one	1-2	1.5
Second one	2-3	2.5
Third one	3-4	3.5

Risk-free interest rate: 1.50%

Volatility rate: 25.69%

$$C_0 = S_0[N(d_1)] - Xe^{-r_c t}[N(d_2)]$$

$$d_1 = \frac{\ln(S_0/X) + [r_c + (\sigma^2/2)]t}{\sigma\sqrt{t}}$$

$$d_2 = d_1 - \sigma\sqrt{t}$$

Parameters of the equation are as follows:

1. S0 -- Share price at the grant date;

2. X -- Exercising price;

3. r_c -- Risk-free interest rate;

4. σ -- Volatility rate;

5. t -- Remaining time in the vesting period of each installment (years).

XII. Commitments and contingencies

(I) Significant commitments

1. As of the balance sheet date, land transfer contract that has been signed and under implementation totaled 1.47805 billion yuan, of which, 1.3485 million yuan has been paid, and 129.55 million yuan has not yet been paid.

2. As of the balance sheet date, the contracting contract that has been signed and under implementation totaled 14.466 billion yuan, of which, 8.679 million yuan has been paid, and 5.787 million yuan has not yet been paid. The Company made payment according to contracting contract as well as the completion status.

3. Please refer to section X (IV) for details on related party commitments.

(II) Contingencies

Contingent liabilities incurred by providing debt guarantees for other entities and the financial effect

1. Please refer to notes to related party transactions for details on guarantees provided by the Company to related parties.

2. Guarantees provided by the Company and its subsidiaries to non-related parties

(1) Guarantee

Guaranteed parties	Financial institutions granting borrowings	Amount of borrowings guaranteed	Borrowings maturity dates	Remarks
民丰特种纸股份有限公司 (Minfeng Special Paper Co., Ltd.*)	China Minsheng Bank, Jiaxing Branch	3,369,504.60	1/29/2020	The guaranteed borrowings are in USD and translated into RMB at the rate of 6.9762.
Minfeng Special Paper Co., Ltd.	China Minsheng Bank, Jiaxing Branch	752,034.36	1/20/2020	The guaranteed borrowings are in USD and translated into RMB at the rate of 6.9762.
Minfeng Special Paper Co., Ltd.	China Minsheng Bank, Jiaxing Branch	17,266,095.00	1/5/2020	The guaranteed borrowings are in USD and translated into RMB at the rate of 6.9762.
Minfeng Special Paper Co., Ltd.	China Minsheng Bank, Jiaxing Branch	24,228,050.00	8/27/2020	The guaranteed borrowings are in EUR and translated into RMB at the rate of 7.8155.
Minfeng Special Paper Co., Ltd.	China Construction Bank, Jiaxing Branch	20,000,000.00	5/5/2020	
Minfeng Special Paper Co., Ltd.	China Construction Bank, Jiaxing Branch	20,000,000.00	5/5/2020	
Minfeng Special Paper Co., Ltd.	China Construction Bank, Jiaxing Branch	40,000,000.00	3/10/2020	
Minfeng Special Paper Co., Ltd.	China Construction Bank, Jiaxing Branch	20,000,000.00	3/19/2020	
美都能源股份有限公司 (Meidu Energy Co., Ltd.*)	China Industrial Bank, Hangzhou Branch	12,000,000.00	1/31/2020	
Meidu Energy Co., Ltd.	China Industrial Bank, Hangzhou Branch	28,000,000.00	5/25/2020	
济和集团有限公司 (Jihe Group Co., Ltd.*)	Bank of China, Kaiyuan Sub-branch	40,000,000.00	3/18/2020	
Jihe Group Co., Ltd.	China CITIC Bank, Hangzhou Branch	30,000,000.00	7/23/2020	
Shanghai Marbao Real Estate Development Co., Ltd.	Industrial and Commercial Bank of China, Putuo Branch	2,992,620,000.00	8/15/2026	
Subtotal		3,248,235,683.96		

* *The English names are for identification purpose only.*

(2) As of December 31, 2019, the balance of guarantee provided by the Company's real estate subsidiaries to property buyers totaled 8.60 billion yuan.

XIII. Events after the balance sheet date

(I) Profit distribution after the balance sheet date

Pursuant to the profit distribution plan of 2019 deliberated and approved by the Board of Directors dated April 28, 2019, the Company intends to distribute cash dividend of 0.1 yuan (tax included) per 10 shares to all shareholders, based on the total registered shares. The profit distribution plan is to be deliberated by the general shareholders' meeting.

(II) Issuing of bonds

Please refer to section XIV (III) 6 for details.

(III) Equity transfer

1. Pursuant to the resolution deliberated and approved by the 19th meeting of the tenth session of the Board of Directors, the Company signed the "Agreement on Equity Transfer and Project Development Cooperation of Shanghai Zhonghan Real Estate Co., Ltd." with 绿城房地产集团有限公司 (Greentown Real Estate Group Co., Ltd.*, hereinafter referred to as Greentown Real Estate), Greentown Real Estate or its designated party (collectively referred to as Greentown Real Estate) was to acquire the Company's 35% equity in Shanghai Zhonghan Real Estate Co., Ltd. and the corresponding rights and interests. The total transaction price was 1.90 billion yuan, of which, the equity transfer price was 517,372,740.78 yuan. As of the date of report, the Company has received all the equity transfer payments and completed the registration procedures for industrial and commercial changes.

2. Pursuant to the resolution deliberated and approved by the 19th meeting of the tenth session of the Board of Directors, the Company signed the "Agreement on the Equity Transfer and Project Development Cooperation of Zhejiang Qifeng Industrial Co., Ltd." with Greentown Real Estate. Greentown Real Estate was to obtain 100% equity and corresponding rights and interests of Zhejiang Qifeng Industrial Co., Ltd. held by the Company, thereby indirectly holding 35% equity of the target projects (Shenyang "Xianlin • Golden Valley" project, "Shenyang • Xinhu Bay" project and "Tianjin • Xinhu Meilizhou" project). The total transaction price was 378,813,820 yuan, of which, the equity transfer price was 186,313,820 yuan. As of the date of report, the Company has received all the equity transfer payments and completed the registration procedures for industrial and commercial changes.

3. Pursuant to the resolution deliberated and approved by the 20th meeting of the tenth session of the Board of Directors, the Company signed the "Agreement on Equity Transfer and Project Development Cooperation of Zhejiang Qizhi Industrial Co., Ltd." with Greentown Real Estate.

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* *The English name is for identification purpose only.*

Greentown Real Estate was to obtain 100% equity and corresponding rights and interests of Zhejiang Qizhi Industrial Co., Ltd., thereby indirectly holding 50% equity of the target project (Qidong "Pearl Over Sea" project). The total transaction price was 1,151,318,860 yuan, of which, the equity transfer price was 397,718,860 yuan. As of the date of report, the transaction is not completed.

4. Pursuant to the resolution deliberated and approved by the 20th meeting of the tenth session of the Board of Directors, the Company signed the "Agreement on Equity Transfer and Project Development Cooperation of Nantong Xinhu Real Estate Co., Ltd." with Greentown Real Estate. Greentown Real Estate was to acquire 50% equity and corresponding rights and interests of Nantong Xinhu Real Estate Co., Ltd, thereby indirectly holding 50% equity of the target project (Qidong "Pearl Over Sea" project). The total transaction price was 672,397,370 yuan, of which, the equity transfer price was 71,547,370 yuan. As of the date of report, the transaction is not completed.

(IV) Investment

Pursuant to the resolution deliberated and approved by the 20th meeting of the tenth session of the Board of Directors, the Company signed the "Proposal on Subscribing for H Shares of 绿城中国控股有限公司 (Greentown China Holdings Limited*, hereinafter referred to as Greentown China)" with Greentown Real Estate, and intended to subscribe for 323 million shares of H shares of Greentown China at a price of HKD 9.50 per share, with total subscription amount of HKD 3.0685 billion. After the transaction, the Company will hold 12.95% of total shares of Greentown China. This transaction is subject to approval of the Company's general shareholders' meeting and approval of the Hong Kong Stock Exchange for new shares listing and trading.

XIV. Other significant events

(I) Corrections of prior period errors

1. Retroactive restatement method

Contents of error corrections	Financial statement items affected in comparative periods	Cumulative effects
Bank of Wenzhou Co., Ltd., an associate of the Company, retrospectively adjusted the expected loss of non-clean transfer of non-performing assets in accordance with the regulatory requirements of the China Banking and Insurance Regulatory Commission, thereby reducing its retained earnings at the beginning of 2018 by 1.506 billion yuan. The Company correspondingly reduced the retained earnings at the beginning of 2018 by 273 million yuan, the long-term equity investment at the beginning of 2018 by 273	Long-term equity investment	-273,438,971.16
	Surplus reserve	-27,343,897.12
	Undistributed profit	-246,095,074.04

* *The English name is for identification purpose only.*

Contents of error corrections	Financial statement items affected in comparative periods	Cumulative effects
million yuan, the retained earnings at the beginning of 2019 by 273 million yuan, and the long-term equity investment at the beginning of 2019 by 273 million yuan based on the shareholding proportion.		

(II) Segment information

1. Identification basis and accounting policies for reportable segments

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. The Company identified reportable segments based on industry. Assets and liabilities are shared by different segments, of which the allocation among the segments cannot be conducted in a reasonable approach, hence, total amount of assets and liabilities of each reportable segment cannot be disclosed.

2. Financial information of reportable segments

Industry segment

Items	Real estate	Commercial trade	Shoal development	Others	Inter-segment offsetting	Total
Revenue from main operations	12,052,640,619.14	4,037,678,364.85	64,379,468.22	184,433,996.62	1,597,529,140.08	14,741,603,308.75
Cost of main operations	6,802,477,225.41	4,029,317,669.69	157,505,358.66	112,536,121.05	1,588,082,581.51	9,513,753,793.30

(III) Other significant transactions and events that maybe influential for investors in decision-making

1. Pursuant to the resolution deliberated and approved by the 42nd meeting of the ninth session of the Board of Directors and the first extraordinary shareholders' meeting of 2018, and based on the Registration Certificate of Foreign Debt Borrowed by Enterprises (Fa Gai Ban Wai Zi Bei [2018] 579) issued by National Development and Reform Commission in August 2018, the Company can issue foreign currency bond not exceeding USD 800 million (equivalent) overseas. In the current period, the Company completed to issue bonds totaling USD 435 million overseas, with term of 3 years and coupon rate of 11%.

2. Pursuant to the resolutions deliberated and approved by the second meeting of the tenth session of the Board of Directors and the second extraordinary shareholders' meeting of 2018, the Company intended to publicly issue corporate bonds not exceeding 7.5 billion yuan (inclusive). In the current period, the Company completed the issuance of corporate bonds totaling 1.67 billion yuan, with term of 4 years and coupon rate of 7.5%.

3. Pursuant to the resolutions deliberated and approved by the third meeting and the seventh meeting of the tenth session of the Board of Directors, the Company intended to repurchase its shares in the form of centralized bidding. The repurchasing amount shall be neither less than 600

million yuan, nor exceeding 1.2 billion yuan, and the repurchasing price shall not be exceeding 4.5 yuan per share. The repurchasing amount of treasury shares for maintaining the Company's value and shareholders' interest totaled 300 million yuan, while the rest repurchased shares were used for equity incentive. As of the date of report, the Company has repurchased a total of 165,454,236 shares in the form of centralized bidding, accounting for 1.92% of total shares. The highest transaction price is 4.40 yuan per share, while the lowest price is 2.86 yuan per share, and the transaction amount totaled 600,096,800 yuan. The Company has completed the repurchase plan.

4. Pursuant to the resolution deliberated and approved by the tenth and the 18th meeting of the tenth session of the Board of Directors, the Company and Harbin Hi-Tech signed the "Agreement on Purchase of Assets of Xiangcai Securities Co., Ltd. through Issuance of Shares". Harbin Hi-Tech was to purchase shares of Xiangcai Securities Co., Ltd. from the Company and Xinhu Holdings by issuing shares at a consideration of 79,435,127 shares and 1,642,677,613 shares with total amount of 381,288,613.46 yuan and 7,884,852,543.80 yuan respectively. As of the date of report, this transaction was not yet completed.

5. Pursuant to the resolution deliberated and approved by the 12th meeting of the tenth session of the Board of Directors, the Company and its wholly-owned subsidiary Xinhu Real Estate Group Co., Ltd. signed the "Cooperation Agreement" with Sunac Real Estate Group Co., Ltd. ("Sunac Real Estate"). Sunac Real Estate was to acquire 90.1% equity and corresponding rights of Zhejiang Ouling Industrial Co., Ltd. jointly held by the Company and Xinhu Real Estate Group Co., Ltd., and 90.1% equity and corresponding rights of Shanghai Marbao Real Estate Development Co., Ltd. held by Xinhu Real Estate Group Co., Ltd. The total transaction price was 6,702,652,212.68 yuan (among which, the consideration for 90.1% equity of Zhejiang Ouling Industrial Co., Ltd. was 500,000,000 yuan, and the consideration (after adjustment) for 90.1% equity of Shanghai Marbao Real Estate Development Co., Ltd. was 375,652,212.68 yuan, and the consideration for creditor's right was 5,827,000,000 yuan.) In the current period, the Company has received all the equity transfer funds and completed the registration procedures for industrial and commercial changes.

6. Pursuant to the resolution deliberated and approved by the 13th meeting of the tenth session of the Board of Directors and the third extraordinary shareholders' meeting of 2019, and based on the Registration Certificate of Foreign Debt Borrowed by Enterprises (Fa Gai Ban Wai Zi Bei [2019] 599) issued by the National Development and Reform Commission in August 2019, the Company is eligible to issue foreign currency bonds not exceeding USD 500 million (equivalent) overseas. As of the date of report, the Company has issued bonds totaling USD 287 million overseas, of which, bonds in amount of USD 200 million have a maturity of 3 years with coupon rate of 11%; the remaining USD 87 million have a maturity of 35 months with coupon rate of 4.3%.

7. Pursuant to the resolution deliberated and approved by the 17th meeting of the tenth session of the Board of Directors, the Company and its wholly-owned subsidiaries Zhejiang Yunsheng

Investment Group Co., Ltd., Xinhu Real Estate Group Co., Ltd. signed the "Agreement on Equity Transfer and Cooperation of Shanghai Xinhu Real Estate Development Co., Ltd." with Greentown Real Estate. Greentown Real Estate was to acquire 35% equity and corresponding rights of Shanghai Xinhu Real Estate Development Co., Ltd. held by the Company. The total transaction price was 360,000 million yuan, of which, the equity transfer price was 550 million yuan. In the current period, the Company has received all the equity transfer funds and completed the registration procedures for industrial and commercial changes.

8. As of the balance sheet date, the Company's largest shareholder Zhejiang Xinhu Group Co., Ltd., actual controller Mr. Huang Wei, the third largest shareholder Ningbo Jiayuan Industrial Development Co., Ltd., and the fifth largest shareholder Zhejiang Hengxingli Holding Group Co., Ltd. have pledged 2,072,363,200 shares, 1,042,611,475 shares, 346,870,000 shares, and 192,400,000 shares of the Company respectively.

XV. Notes to items of parent company financial statements

(I) Notes to items of parent company balance sheet

1. Accounts receivable

(1) Details

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	478,896.02	100.00			478,896.02
Total	478,896.02	100.00			478,896.02

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	5,320,688.83	100.00			5,320,688.83
Total	5,320,688.83	100.00			5,320,688.83

2) Accounts receivable with provision for bad debts made on a collective basis

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with balances due from related parties within the consolidation scope	478,896.00		

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with overdue ages	0.02		
Subtotal	478,896.02		

(2) Age analysis

Items	Closing book balance
Within 1 year	478,896.02
Total	478,896.02

(3) Details of the top 5 debtors with largest balances

Closing balance of top 5 debtors totaled 478,896.02 yuan, accounting for 100.00% of the total closing balance of accounts receivable with no provision made.

2. Other receivables

(1) Details

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Including: Dividend receivable					
Other receivables					
Receivables with provision made on a collective basis	18,083,013,814.45	100.00	6,001,519.98	0.03	18,077,012,294.47
Including: Dividend receivable	319,800,000.00	1.77			319,800,000.00
Other receivables	17,763,213,814.45	98.23	6,001,519.98	0.03	17,757,212,294.47
Total	18,083,013,814.45	100.00	6,001,519.98	0.03	18,077,012,294.47

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Including: Dividend receivable					
Other receivables					
Receivables with provision made on a collective basis	21,716,818,991.68	100.00	6,001,456.09	0.03	21,710,817,535.59
Including: Dividend receivable	37,377,054.00	0.17			37,377,054.00
Other receivables	21,679,441,937.68	99.83	6,001,456.09	0.03	21,673,440,481.59
Total	21,716,818,991.68	100.00	6,001,456.09	0.03	21,710,817,535.59

2) Other receivables with provision made on a collective basis

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio of dividend receivable	319,800,000.00		
Portfolio of low risk	17,756,791,897.83		
Portfolio grouped with ages	6,421,916.62	6,001,519.98	93.45
Including: Within 1 year	107,917.02	4,316.69	4.00
1-2 years	7,609.06	608.72	8.00
3-5 years	619,591.95	309,795.98	50.00
Over 5 years	5,686,798.59	5,686,798.59	100.00
Subtotal	18,083,013,814.45	6,001,519.98	0.03

(2) Ages

Items	Closing book balance
Within 1 year	13,164,336,128.64
1-2 years	4,497,368,928.36
2-3 years	199,429,337.02
3-5years	169,535,338.19
Over 5 years	52,344,082.24
Total	18,083,013,814.45

(3) Changes in provision for bad debts

Items	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	1,349.52	6,000,106.57		6,001,456.09
Including:				
--Transferred to phase II				
--Transferred to phase III				
--Reversed to phase II				
--Reversed to phase I				
Provision made in current period	3,575.89	-3,512.00		63.89
Provision recovered in current period				
Provision reversed in current period				
Provision written-off in current period				
Other changes				
Closing balance	4,925.41	5,996,594.57		6,001,519.98

(4) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Dividend receivable	319,800,000.00	37,377,054.00
Security deposit	24,591.95	10,200.00
Current accounts	14,739,659,189.78	21,624,976,509.08
Equity transfer and debt assignment payment receivable	3,017,132,708.05	47,040,000.00
Temporary advance payment receivable	967,324.67	20,009.00
Others	5,430,000.00	7,395,219.60
Total	18,083,013,814.45	21,716,818,991.68

(5) Details on dividend receivable

Items	Closing balance	Opening balance
Jiujiang Xinhu Yuanzhou Real Estate Co., Ltd.		37,377,054.00
Shanghai Zhonghan Real Estate Co., Ltd.	300,000,000.00	
Wenzhou Xinhu Real Estate Development Co., Ltd.	19,800,000.00	
Subtotal	319,800,000.00	37,377,054.00

(6) Details of the top 5 debtors with largest balances

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Sunac Real Estate Group Co., Ltd.	Debt assignment payment	3,017,132,708.05	Within 1 year	16.99	
Xinhu Holding Co., Ltd.	Current accounts	2,856,640,555.52	0-2 years	16.08	
Xinhu Real Estate Group Co., Ltd.	Current accounts	1,756,685,994.03	0-over 5 years	9.89	
Zhejiang Xinhu Zhinao Investment Management Partnership (LP)	Current accounts	1,206,771,419.28	0-2 years	6.79	
Shanghai Tuoyi Investment Management Co., Ltd.	Current accounts	998,897,618.61	0-2 years	5.62	
Subtotal		9,836,128,295.49		55.37	

3. Long-term equity investments

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	5,417,880,901.30		5,417,880,901.30	5,499,410,901.30		5,499,410,901.30
Investments in associates and joint ventures	8,170,889,007.95		8,170,889,007.95	8,386,964,032.66		8,386,964,032.66
Total	13,588,769,909.25		13,588,769,909.25	13,886,374,933.96		13,886,374,933.96

(2) Investments in subsidiaries

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Shanghai Zhonghan Real Estate Co., Ltd.	256,676,000.00			256,676,000.00		
Xinhu Real Estate Group Co., Ltd.	2,020,792,733.83			2,020,792,733.83		
Jiujiang Xinhu Yuanzhou Real Estate Co., Ltd.	116,556,921.45		98,000,000.00	18,556,921.45		
Zhejiang Yunsheng Investment Group Co., Ltd.	401,473,476.79			401,473,476.79		
Fengning Chenglong Mining Co., Ltd.	130,000,000.00			130,000,000.00		
Shaoxing Baida Real Estate Co., Ltd.	4,500,000.00			4,500,000.00		
Shaoxing Red Sun Property Management Co., Ltd.	50,000.00			50,000.00		
Wenzhou Xinhu Real Estate Development Co., Ltd.	46,142,313.13	6,470,000.00		52,612,313.13		
Qidong Xinhu Investment Development Co., Ltd.	75,000,000.00			75,000,000.00		
Jiaxing Xinhu CRED Real Estate Co., Ltd.	76,500,000.00			76,500,000.00		
Tianjin Xinhu Zhongbao Investment Co., Ltd.	30,000,000.00			30,000,000.00		
Pingyang Lide Tideland Reclamation and Development Co., Ltd.	1,110,000,000.00			1,110,000,000.00		
Hong Kong Xinhu Investment Co., Ltd.	73,519,454.10			73,519,454.10		
Xinhu Entertainment Media Co., Ltd.	49,000,002.00			49,000,002.00		
Guizhou Xinhu Energy Co., Ltd.	50,000,000.00			50,000,000.00		
Pingyang Weicheng Real Estate Co., Ltd.	5,100,000.00			5,100,000.00		
Zhoushan Xinhu Real Estate Co., Ltd.	34,000,000.00			34,000,000.00		
Pingyang Baorui Real Estate Co., Ltd.	5,100,000.00			5,100,000.00		
Shanghai Tuoyi Investment Management Co., Ltd.		10,000,000.00		10,000,000.00		
Zhejiang Xinhu Financial Information Service Co., Ltd.	1,000,000,000.00			1,000,000,000.00		
Zhejiang Xinhu Zhinao Investment Management Partnership (LP)	5,000,000.00			5,000,000.00		
Zhejiang Zhixin Technology Co., Ltd.	10,000,000.00			10,000,000.00		
Subtotal	5,499,410,901.30	16,470,000.00	98,000,000.00	5,417,880,901.30		

(3) Investments in associates and joint ventures

Investees	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Joint ventures					
Hangzhou Huxin Investment Co., Ltd.					
Subtotal					
Associates					
Xinhu Holding Co., Ltd.	2,294,500,296.30			-125,803,414.97	-8,609,985.54
Inner Mongolia Hehe Real Estate Co., Ltd.	10,920,350.62		8,000,000.00	15,924,429.16	
Shengjing Bank Co., Ltd.	2,971,351,706.69			274,979,234.00	-37,516,226.83
Gansu Northwest Mining Group Co., Ltd.	684,641,778.72			-4,957,673.28	
Bank of Wenzhou Co., Ltd.	2,221,445,001.71			125,776,836.86	17,533,209.73
Jiangsu Xinhu Baohua Real Estate Co., Ltd.	111,686,819.32			81,609,347.84	
Tongka Liancheng Network Technology Co., Ltd.	33,315,567.42			-4,073,801.62	
Xinhu Futures Co., Ltd.	59,102,511.88			2,727,117.18	8,739.48
Subtotal	8,386,964,032.66		8,000,000.00	366,182,075.17	-28,584,263.16
Total	8,386,964,032.66		8,000,000.00	366,182,075.17	-28,584,263.16

(Continued)

Investees	Increase/Decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/ Profit declared for distribution	Provision for impairment	Others		
Joint ventures						
Hangzhou Huxin Investment Co., Ltd.						
Subtotal						
Associates						
Xinhu Holding Co., Ltd.	64,930.37				2,160,151,826.16	
Inner Mongolia Hehe Real Estate Co., Ltd.					18,844,779.78	
Shengjing Bank Co., Ltd.	-461,192,336.22	36,000,000.00			2,711,622,377.64	
Gansu Northwest Mining Group Co., Ltd.					679,684,105.44	
Bank of Wenzhou Co., Ltd.					2,364,755,048.30	
Jiangsu Xinhu Baohua Real Estate Co., Ltd.		58,423,076.92			134,873,090.24	
Tongka Liancheng Network Technology Co., Ltd.	9,877,646.05				39,119,411.85	
Xinhu Futures Co., Ltd.					61,838,368.54	
Subtotal	-451,249,759.80	94,423,076.92			8,170,889,007.95	
Total	-451,249,759.80	94,423,076.92			8,170,889,007.95	

(II) Notes to items of the parent company income statement

1. Operating revenue/Operating cost

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	2,536,284,293.34	2,529,287,886.71	2,206,080,352.42	2,197,453,839.84
Other operations	5,925,457.97	2,374,130.20	5,592,375.95	2,374,130.20
Total	2,542,209,751.31	2,531,662,016.91	2,211,672,728.37	2,199,827,970.04

2. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	366,182,075.17	251,452,602.16
Investment income from long-term equity investments under cost method	832,440,000.00	726,636,604.41
Gains on disposal of long-term equity investments	425,000,000.00	397,595,430.13
Investment income from financial instruments	52,811,461.17	
Including: Financial assets classified as at fair value through profit or loss	52,811,461.17	
Gains on disposal of financial instruments	971,190.38	
Including: Financial assets classified as at fair value through profit or loss	971,190.38	
Investment income from financial assets at fair value through profit or loss		19,942.82
Investment income from available-for-sale financial assets		82,220,856.68
Interest income from financial products		26,805,715.08
Interest income from investment	1,475,426,578.08	
Total	3,152,831,304.80	1,484,731,151.28

XVI. Other supplementary information

(I) Non-recurring profit or loss

1. Schedule of non-recurring profit or loss of current period

(1) Details

Items	Amount	Remarks
Gains on disposal of non-current assets, including written-off of provision for impairment	546,361,402.09	
Tax refund, credit or exemption approved beyond the power of authorities, without formal documents, or with occasionality		
Government grant included in profit or loss (excluding those closely related to operating activities, or regular government grants)	3,547,425.28	
Fund possession charge from non-financial entities and included in profit or loss	191,172,502.86	

Items	Amount	Remarks
Gains on acquisition of subsidiaries, joint ventures and associates due to the surplus of acquisition-date fair value of net identifiable assets in acquiree over the acquisition cost		
Gains on non-cash assets exchange		
Gains on assets consigned to the third party for investment or management		
Assets impairment loss incurred due to force majeure such as natural disasters		
Gains on debt restructuring		
Entity restructuring expenses, such as staffing and integrating expenses		
Gains on transactions with unfair value		
Net profit gains on subsidiaries acquired through business combination under common control from the beginning of the period to the combination date		
Contingent gains on non-operating activities		
Gains on changes in fair value of financial assets and liabilities at fair value through profit or loss and gains on disposal of financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, excluding those arising from hedging business related to operating activities	-688,456,780.94	
The reversed provision for impairment of receivables based on impairment testing on an individual basis		
Gains on designated loans		
Gains on changes in fair value of investment property with subsequent measurement at the fair value mode		
Gains on reconciliation of current period profit or loss following legal and regulative requirements		
Management charges for consigned operations		
Other non-operating revenue or expenditures	-78,728,405.48	
Other profit or loss satisfying the definition of non-recurring profit or loss	289,692.80	
Subtotal	-25,814,163.39	
Less: Enterprise income tax affected	-12,861,198.94	
Non-controlling interest affected (after tax)	-486,833.64	
Net non-recurring profit or loss attributable to shareholders of the parent company	-12,466,130.81	

(II) RONA and EPS

1. Details

Profit of the reporting period	Weighted average RONA (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	6.30	0.25	0.25
Net profit attributable to	6.34	0.25	0.25

Profit of the reporting period	Weighted average RONA (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
shareholders of ordinary shares after deducting non-recurring profit or loss			

2. Calculation process of weighted average RONA

Items		Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares		A	2,153,412,681.24
Non-recurring profit or loss		B	-12,466,130.81
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss		C=A-B	2,165,878,812.05
Opening balance of net assets attributable to shareholders of ordinary shares		D	33,744,941,573.64
Net assets attributable to shareholders of ordinary shares increased due to offering of new shares or conversion of debts into shares		E	
Number of months counting from the next month when the net assets were increased to the end of the reporting period		F	
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation		G1	120,217,706.83
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation		G2	159,849,853.67
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation		G3	135,959,335.46
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation		G4	80,683,222.93
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation		G5	500,786,865.47
Number of months counting from the next month when the net assets were decreased to the end of the reporting period		H1	9
Number of months counting from the next month when the net assets were decreased to the end of the reporting period		H2	8
Number of months counting from the next month when the net assets were decreased to the end of the reporting period		H3	7
Number of months counting from the next month when the net assets were decreased to the end of the reporting period		H4	4
Number of months counting from the next month when the net assets were decreased to the end of the reporting period		H5	6
Others	Net assets attributable to shareholders of ordinary shares increased or decreased due to other transactions or events	I1	-465,945,891.93

Items		Symbols	Current period cumulative
	Number of months counting from the next month when other net assets were increased or decreased to the end of the reporting period	J1	
Number of months in the reporting period		K	12
Weighted average net assets		L= D+A×1/2+ E×F/K-G×H/K±I× J/K	34,157,611,912.36
Weighted average RONA		M=A/L	6.30%
Weighted average RONA after deducting non-recurring profit or loss		N=C/L	6.34%

3. Calculation process of basic EPS and diluted EPS

(1) Calculation process of basic EPS

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	2,153,412,681.24
Non-recurring profit or loss	B	-12,466,130.81
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	2,165,878,812.05
Opening balance of total shares	D	8,599,343,536
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E	
Number of shares increased due to offering of new shares or conversion of debts into shares	F	
Number of months counting from the next month when the share was increased to the end of the reporting period	G	
Number of shares decreased due to share repurchase	H1	30,367,189
Number of shares decreased due to share repurchase	H2	38,778,600
Number of shares decreased due to share repurchase	H3	42,284,773
Number of shares decreased due to share repurchase	H4	27,799,574
Number of months counting from the next month when the share was decreased to the end of the reporting period	I1	9
Number of months counting from the next month when the share was decreased to the end of the reporting period	I2	8
Number of months counting from the next month when the share was decreased to the end of the reporting period	I3	7
Number of months counting from the next month when the share was decreased to the end of the reporting period	I4	4
Number of shares decreased in the reporting period	J	
Number of months in the reporting period	K	12

Items	Symbols	Current period cumulative
Weighted average of outstanding ordinary shares	L=D+E+F×G/K-H×I/K-J	8,516,783,102
Basic EPS	M=A/L	0.25
Basic EPS after deducting non-recurring profit or loss	N=C/L	0.25

(2) Calculation process of diluted EPS

Calculation process of diluted EPS is the same as that of basic EPS.

Xinhu Zhongbao Co., Ltd.

April 28, 2020

OUR REGISTERED AND PRINCIPAL OFFICES

Registered Office

Zhongshan Road and Hexing Road
Jiaxing, Zhejiang Province
PRC

Principal Place of Business in the PRC

11/F, Xinhu Commercial Mansion, 128 Xixi Road
Hangzhou, Zhejiang Province
PRC

TRUSTEE, REGISTRAR, PRINCIPAL PAYING AGENT AND TRANSFER AGENT

China Construction Bank (Asia) Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

OUR LEGAL ADVISORS

As to U.S. law

King & Wood Mallesons
13/F Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to PRC law

King & Wood Mallesons
17th-21th Floors
East Tower World Financial Center 1
Dongsanhuan Zhonglu
Chaoyang District
Beijing, PRC

As to BVI law

Ogier
11/F Central Tower
28 Queen's Road Central
Central
Hong Kong

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to U.S. law

Latham & Watkins LLP
18th Floor, One Exchange Square
8 Connaught Place, Central
Hong Kong

As to PRC law

Grandall Law Firm
Grandall Building
No.2 & No.15, Block B
Baita Park, Old Fuxing Road
Hangzhou, PRC

INDEPENDENT AUDITOR

Pan-China
Block B, China Resources Building
1366 Qianjiang Road
Hangzhou, Zhejiang Province
PRC