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*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. No securities may be offered or sold in the United States absent registration or an applicable exemption from registration requirements. 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, management, as well as financial statements. The Company does not intend to make any public offering of securities in the United States.*



## **HUIJING HOLDINGS COMPANY LIMITED**

**滙景控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 9968)**

### **OVERSEAS REGULATORY ANNOUNCEMENT**

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Reference is made to the announcements of Huijing Holdings Company Limited (the “**Company**”) dated July 7, 2022, July 13, 2022, July 15, 2022, July 18, 2022, July 20, 2022 and July 22, 2022, respectively, in respect of, among others, the issue of the New Notes (the “**Announcements**”). Unless otherwise defined in this announcement, terms and expressions defined in the Announcements shall have the same meaning when used in this announcement.

Please refer to the attached Exchange Offer Memorandum, which was published on the website of the SGX-ST.

The posting of the Exchange Offer Memorandum on the website of Hong Kong Exchanges and Clearing Limited is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.10B of the Listing Rules, and not for any other purposes.

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

By order of the Board  
**Huijing Holdings Company Limited**  
**Lun Zhao Ming**  
*Executive Director*

Hong Kong, July 25, 2022

*As at the date of this announcement, the Board comprises Mr Lun Zhao Ming, Mr Lu Peijun and Mr Luo Chengyu as executive Directors, Mr Lun Ruixiang as a non-executive Director, and Ms Chiu Lai Kuen Susanna, Mr Hung Wan Shun Stephen and Ms Lin Yanna as independent non-executive Directors.*

## IMPORTANT NOTICE

**STRICTLY CONFIDENTIAL — DO NOT FORWARD — NOT FOR DISTRIBUTION IN OR INTO OR TO ANY U.S. PERSON OR ANY PERSON LOCATED OR RESIDENT IN THE UNITED STATES OF AMERICA, ITS TERRITORIES AND POSSESSIONS (INCLUDING PUERTO RICO, THE U.S. VIRGIN ISLANDS, GUAM, AMERICAN SAMOA, WAKE ISLAND AND THE NORTHERN MARIANA ISLANDS, ANY STATE OF THE UNITED STATES AND THE DISTRICT OF COLUMBIA) (THE "UNITED STATES") OR IN OR INTO ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DISTRIBUTE THIS DOCUMENT.**

**THIS EXCHANGE OFFER (AS DEFINED IN THE EXCHANGE OFFER MEMORANDUM) IS AVAILABLE ONLY TO INVESTORS WHO ARE NOT, AND ARE NOT ACTING FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (WITH THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND ARE OUTSIDE THE UNITED STATES.**

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the exchange offer memorandum (the "**Exchange Offer Memorandum**") attached to this e-mail. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Exchange Offer Memorandum. In accessing the attached Exchange Offer Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

**Confirmation of Your Representation:** You have accessed the attached Exchange Offer Memorandum on the basis that you have confirmed your representation to Huijing Holdings Company Limited (the "**Company**"), CMB International Capital Limited (the "**Sole Dealer Advisor**") and D.F. King Ltd. (the "**Information and Exchange Agent**") that (1) you are a holder or a beneficial owner of the Old Notes (as defined in the Exchange Offer Memorandum); (2) the electronic mail address that you have given to us and to which the Exchange Offer Memorandum has been delivered is not located in the United States, (3) you are not a Sanctions Restricted Person (as defined in the Exchange Offer Memorandum) and neither you nor any beneficial owner of the Old Notes nor any other person on whose behalf you are acting, either directly or indirectly, are a person to whom it is unlawful to send the Exchange Offer Memorandum or to make the Exchange Offer (as defined in the Exchange Offer Memorandum) under any other applicable law; (4) you and any person you represent or are acting for the account or benefit of are non-U.S. persons outside the United States and to the extent you acquire the securities described in the attached Exchange Offer Memorandum, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and (5) you consent to delivery of the attached Exchange Offer Memorandum and any amendments or supplements thereto by electronic transmission.

The attached Exchange Offer Memorandum is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129 (as amended, the "**EU Prospectus Regulation**").

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The securities described in the attached document 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 means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**") or; (ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the securities described in the attached document or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities described in the attached document or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The securities described in the attached document 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 ("**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**"); or (ii) a customer within the meaning of the provisions of the United Kingdom's Financial Services and Markets Act 2000, 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 securities described in the attached document or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the securities described in the attached document or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as amended (the "**SFA**"), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the securities described in the attached document are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

The communication of the attached document and any other document or materials relating to the issue of the securities offered thereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the FSMA. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**")), or within Article 43 of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the securities offered thereby are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

The attached Exchange Offer Memorandum has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently the Company, the Sole Dealer Advisor, the Trustees (as defined in the Exchange Offer Memorandum), the Information and Exchange Agent, the Paying and Transfer Agent (as defined in the Exchange Offer Memorandum) and the Registrar (as defined in the Exchange Offer Memorandum) under the Old Notes and the New Notes (as defined in the Exchange Offer Memorandum) or any person who controls them or any of their respective directors, employees, representatives or affiliates accepts no liability or responsibility whatsoever in respect of any discrepancies between the Exchange Offer Memorandum distributed to you in electronic format. We will provide a hard copy version to you upon request.

**Restriction:** The attached Exchange Offer Memorandum is being furnished in connection with an exchange offer exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the exchange of the securities described herein. Nothing in this electronic transmission constitutes an offer to buy or the solicitation of an offer to sell securities in the United States or any other jurisdiction in which such offer or solicitation would be unlawful.

THIS ELECTRONIC TRANSMISSION DOES NOT CONTAIN OR CONSTITUTE AN OFFER OF, OR THE SOLICITATION OF AN OFFER TO BUY OR SUBSCRIBE FOR, SECURITIES TO OR FROM ANY PERSON IN THE UNITED STATES OF AMERICA OR ANY OTHER JURISDICTION TO WHOM OR IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OF AMERICA ABSENT REGISTRATION UNDER, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"). THE NEW NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OF AMERICA, AND THE NEW NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OF AMERICA.

Except with respect to eligible investors in jurisdictions where such exchange offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Company or the Sole Dealer Advisor to subscribe for or purchase any of the securities described herein. In addition, access to this electronic transmission has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the exchange offer be made by a licensed broker or dealer and the Sole Dealer Advisor any affiliate of the Sole Dealer Advisor is a licensed broker or dealer in that jurisdiction, the offering shall be described as being made by the Sole Dealer Advisor or its respective affiliates on behalf of the Company in such jurisdiction.

The distribution of the attached Exchange Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession the Exchange Offer Memorandum comes are required by the Company, the Sole Dealer Advisor and the Information and Exchange Agent to inform themselves about, and to observe, such restrictions. No action has been or will be taken in any jurisdiction in relation to the exchange offer that would permit a public offering of securities.

You are reminded that you have accessed the attached Exchange Offer Memorandum on the basis that you are a person into whose possession the Exchange Offer Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Exchange Offer Memorandum, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you should not, and will be unable to, exchange any of the securities described therein.

If any Holder (as defined in the Exchange Offer Memorandum) has sold or otherwise transferred all of the Old Notes, it should inform the Information and Exchange Agent accordingly.

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

YOU ARE NOT AUTHORIZED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED EXCHANGE OFFER MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH EXCHANGE OFFER MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING DISTRIBUTION OR REPRODUCTION OF THE ATTACHED EXCHANGE OFFER MEMORANDUM, 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.

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

The Exchange Offer (as defined below) is not being made within, and this Exchange Offer Memorandum (as defined below) is not for distribution in or into, the United States of America. This Exchange Offer Memorandum is not an offer of securities for sale to or for the account of any U.S. person (as defined in Regulation S under the Securities Act) or in the United States or any other jurisdiction where it is unlawful to offer securities for sale. Securities may not be offered, sold or delivered in the United States absent registration or an exemption from registration. The New Notes (as defined below) and the related guarantee have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered, directly or indirectly, to or for the account of any U.S. person or within the United States.

This Exchange Offer Memorandum does not constitute an offer to buy or a solicitation of an offer to sell Old Notes (as defined below) in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make such offer or solicitation under applicable securities laws or otherwise. The distribution of this document in certain jurisdictions (in particular, Singapore, Hong Kong, the United States of America, the European Economic Area, the United Kingdom, the British Virgin Islands and the Cayman Islands) may be restricted by law. See "Offer and Distribution Restrictions" below. Persons into whose possession this Exchange Offer Memorandum comes are required by the Sole Dealer Advisor, the Company and the Information and Exchange Agent (each as defined below) to inform themselves about, and to observe, any such restrictions.

If you are in any doubt as to the contents of this document or the action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial advisor.

**EXCHANGE OFFER MEMORANDUM dated July 7, 2022.**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**



## HUIJING HOLDINGS COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

**OFFER TO ELIGIBLE HOLDERS TO EXCHANGE AT LEAST A MINIMUM ACCEPTANCE AMOUNT  
(AS DEFINED BELOW) OF THE COMPANY'S OUTSTANDING  
US\$138,000,000 12.50% SENIOR NOTES DUE 2022  
(ISIN: XS2364281506; COMMON CODE: 236428150)  
FOR THE COMPANY'S FIXED RATE SENIOR NOTES DUE 2023**

Old Notes to be Exchanged	ISIN/Common Code	Principal Amount Outstanding	Minimum Acceptance Amount	Exchange consideration per US\$1,000 in principal amount of the Old Notes accepted for exchange
12.50% Senior Notes due 2022 (the "Old Notes")	XS2364281506 / 236428150	US\$138,000,000	US\$107,400,000	(1) US\$1,000 principal amount of the New Notes; (2) accrued and unpaid interest on the Old Notes, up to but not including the Settlement Date (as defined below), in cash; and (3) in the event that any tendering Holder is entitled to receive the New Notes in a principal amount that is not an integral multiple of US\$1,000, cash (rounded to the nearest US\$0.01, with US\$0.005 rounded upwards) in lieu of any fractional amount of the New Notes equal to the principal amount of the New Notes not issued (the "Exchange Consideration")

THIS EXCHANGE OFFER WILL EXPIRE AT 4:00 P.M., LONDON TIME, ON JULY 13, 2022 (THE "EXCHANGE EXPIRATION DEADLINE"), UNLESS EXTENDED OR TERMINATED EARLY IN OUR SOLE DISCRETION.

SUBJECT TO THE TERMS AND CONDITIONS HEREIN, HOLDERS WHO VALIDLY TENDER THE OLD NOTES PRIOR TO THE EXCHANGE EXPIRATION DEADLINE, UNLESS EXTENDED OR TERMINATED EARLY BY US IN OUR SOLE DISCRETION, WILL BE ELIGIBLE TO EXCHANGE FOR EACH US\$1,000 IN PRINCIPAL AMOUNT OF THEIR OLD NOTES (I) US\$1,000 PRINCIPAL AMOUNT OF THE NEW NOTES, (II) ACCRUED AND UNPAID INTEREST ON THE OLD NOTES, UP TO BUT NOT INCLUDING THE SETTLEMENT DATE (THE "ACCRUED INTEREST") IN CASH AND (III) IN THE EVENT THAT ANY TENDERING HOLDER IS ENTITLED TO RECEIVE NEW NOTES IN A PRINCIPAL AMOUNT THAT IS NOT AN INTEGRAL MULTIPLE OF US\$1,000, CASH (ROUNDED TO THE NEAREST US\$0.01, WITH US\$0.005 ROUNDED UPWARDS) IN LIEU OF ANY FRACTIONAL AMOUNT OF THE NEW NOTES EQUAL TO THE PRINCIPAL AMOUNT OF THE NEW NOTES NOT ISSUED (AFTER ROUNDING DOWNWARD THE AMOUNT OF THE NEW NOTES TO THE NEAREST MULTIPLE OF US\$1,000).

IN RELATION TO THE TIMES AND DATES INDICATED HEREIN, HOLDERS HOLDING THE OLD NOTES THROUGH AN INTERMEDIARY OR EUROCLEAR OR CLEARSTREAM PARTICIPANTS SHOULD NOTE THE PARTICULAR PRACTICES AND POLICIES OF THE RELEVANT INTERMEDIARY OR EUROCLEAR OR CLEARSTREAM PARTICIPANT REGARDING THEIR COMMUNICATIONS DEADLINES THAT WILL DETERMINE THE LATEST TIME AT WHICH TENDERS OF THE OLD NOTES FOR EXCHANGE MAY BE DELIVERED TO THE RELEVANT INTERMEDIARY OR EUROCLEAR OR CLEARSTREAM PARTICIPANT (WHICH MAY BE EARLIER THAN THE DEADLINES HEREIN) SO THAT THEY ARE RECEIVED BY US WITHIN THE DEADLINES SET FORTH HEREIN.

YOUR INSTRUCTIONS IN CONNECTION WITH THE EXCHANGE OFFER ARE IRREVOCABLE. ONCE YOU TENDER THE OLD NOTES IN THE EXCHANGE OFFER, YOU MAY NOT WITHDRAW FROM THE EXCHANGE OFFER.

Upon the terms and subject to the conditions set forth in this exchange offer memorandum (this "Exchange Offer Memorandum"), we, Huijing Holdings Company Limited (the "Company"), are offering Eligible Holders (as defined under the section entitled "Important Information") to exchange at least US\$107,400,000, or 77.826%, of the outstanding principal amount of the Old Notes (the "Minimum Acceptance Amount"), for the New Notes (as defined under the section entitled "Summary of Exchange Offer") (the "Exchange Offer").

The New Notes will be issued by the Company and will be guaranteed by the Subsidiary Guarantors (as defined in "Description of the New Notes"). The New Notes will bear interest at the rate of 12.50% per annum and will have a tenor of 364 days. Interest is payable in arrears on the date

being the end of the six-month period starting from the Original Issue Date (as defined in the Indenture) and the Maturity Date (as defined below) of the New Notes.

Holders, whose Old Notes have been validly tendered and accepted for exchange on or prior to the Exchange Expiration Deadline, will receive for each US\$1,000 in principal amount of the Old Notes validly tendered (a) US\$1,000 principal amount of the New Notes, (b) Accrued Interest in cash and (c) in the event that any tendering Holder is entitled to receive New Notes in a principal amount that is not an integral multiple of US\$1,000, cash (rounded to the nearest US\$0.01, with US\$0.005 rounded upwards) in lieu of any fractional amount of the New Notes equal to the principal amount of the New Notes not issued (after rounding downward the amount of the New Notes to the nearest multiple of US\$1,000).

The Exchange Offer will expire on the Exchange Expiration Deadline. **Instructions in connection with the Exchange Offer are irrevocable. Once you tender the Old Notes for exchange in the Exchange Offer, you may not withdraw from the Exchange Offer.**

Our obligation to consummate the Exchange Offer is conditional upon (1) the valid tender of Old Notes for at least the Minimum Acceptance Amount and (2) the satisfaction of the conditions described in "*Description of the Exchange Offer — Conditions to the Exchange Offer*" being satisfied or waived.

Instructions to exchange any of the Old Notes may only be submitted in a minimum principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof. Any of the New Notes to be issued to any Eligible Holder in the Exchange Offer will be in a minimum principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof. To the extent that any Eligible Holder elects to exchange only a portion of its Old Notes, any retained portion must be in a minimum principal amount of US\$200,000.

**The Exchange Offer is subject to the conditions discussed under "Description of the Exchange Offer — Conditions to the Exchange Offer".** Notwithstanding anything to the contrary contained in this Exchange Offer Memorandum or in any other document related to the Exchange Offer, the Company expressly reserves the right, in its sole discretion and regardless of whether any of the conditions described under "*Description of the Exchange Offer — Conditions to the Exchange Offer*" have been satisfied, subject to applicable law, at any time to (i) terminate the Exchange Offer, in whole or in part, (ii) waive any of the conditions described herein, in whole or in part, (iii) extend the Exchange Expiration Deadline, (iv) amend the terms of the Exchange Offer or (v) modify the form or amount of the consideration to be paid pursuant to this Exchange Offer. **The Minimum Acceptance Amount cannot be amended or waived. If we receive valid tenders of the Old Notes for less than the Minimum Acceptance Amount, we will not proceed with the Exchange Offer and the Exchange Offer shall lapse automatically and any Old Notes validly tendered will be promptly returned to the account of such Holder.**

**You should carefully consider all the information in this Exchange Offer Memorandum including, in particular, the "Risk Factors" section in this Exchange Offer Memorandum before you make any decision regarding the Exchange Offer. For more information regarding the New Notes, see the section "Description of the New Notes".**

You must make your own decision whether to tender your Old Notes for exchange in the Exchange Offer. None of the Company, the Subsidiary Guarantors, the Sole Dealer Advisor, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司), as trustee for the Old Notes (the "Old Notes Trustee") and as trustee for the New Notes (the "New Notes Trustee" and together with the Old Notes Trustee, the "Trustees"), as paying and transfer agent (the "Paying and Transfer Agent") and as registrar (the "Registrar" and together with the Paying and Transfer Agent, the "Agents"), the Information and Exchange Agent or any other person is making any recommendation as to whether or not you should tender your Old Notes for exchange in the Exchange Offer.

**Only direct participants in Euroclear Bank SA/NV ("Euroclear") or Clearstream Banking S.A. ("Clearstream") may submit instructions through Euroclear and Clearstream. If you are not a direct participant in Euroclear or Clearstream, you must contact your broker, dealer, bank, custodian, trust company or other nominee to arrange for its direct participant through which you hold the Old Notes to submit an instruction on your behalf to the relevant Clearing System (as defined under the section entitled "Summary of Exchange Offer") prior to the deadline specified by the relevant Clearing System. Eligible Holders who intend to make different elections with respect to portions of their holding of Old Notes must deliver separate instructions with respect to each such portion. Upon giving instructions with respect to any Old Notes, those Old Notes will be blocked and may not be transferred until the Exchange Offer is settled or terminated so as to result in a cancellation of such instructions.**

Approval in-principle has been received for the listing and quotation of the New Notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from the SGX-ST, admission to the Official List of the SGX-ST and quotation of any New Notes on the SGX-ST is not to be taken as an indication of the merits of the New Notes, the Company, its subsidiary companies (if any) or associated companies (if any).

The New Notes, the Subsidiary Guarantees (as defined in "*Description of the New Notes*") and the JV Subsidiary Guarantees (as defined in "*Description of the New Notes*") (if any) have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the New Notes are being offered and sold only to non-U.S. persons located outside the United States in compliance with Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see the section entitled "*Notice to Investors*".

*Sole Dealer Advisor*



The date of this Exchange Offer Memorandum is July 7, 2022

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## IMPORTANT INFORMATION

**This Exchange Offer Memorandum contains important information which should be read carefully before any decision is made with respect to the Exchange Offer. If any Holder is in any doubt as to the action it should take or is unsure of the impact of the Exchange Offer, it is recommended to seek its own financial and legal advice, including as to any tax consequences, from its stockbroker, bank manager, solicitor, accountant or other independent financial or legal advisor. Any individual or company whose Old Notes are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee or intermediary must contact such entity if it wishes to tender Old Notes in the Exchange Offer. None of the Company, the Sole Dealer Advisor, the Trustees, the Paying and Transfer Agent, the Registrar or the Information and Exchange Agent is providing Holders with any legal, business, tax or other advice in this Exchange Offer Memorandum. Holders should consult with their own advisors as needed to assist them in making an investment decision and to advise them whether they are legally permitted to offer Old Notes for the Exchange Consideration.**

**This Exchange Offer Memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this Exchange Offer Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Exchange Offer Memorandum or that the information contained in this Exchange Offer Memorandum is correct as of any time after that date.**

This Exchange Offer Memorandum is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129 (as amended, the "**EU Prospectus Regulation**").

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**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The securities described in this Exchange Offer Memorandum 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 ("**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**"); or (ii) a customer within the meaning of the provisions of the United Kingdom's Financial Services and Markets Act 2000, 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 securities described in the attached document or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the securities described in the attached document or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as amended (the "**SFA**"), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the securities described in this Exchange Offer Memorandum are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).



The communication of this Exchange Offer Memorandum and any other document or materials relating to the issue of the securities offered thereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the FSMA. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**")), or within Article 43 of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the securities offered thereby are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

The Company accepts responsibility for the information contained in this Exchange Offer Memorandum. None of the Sole Dealer Advisor, the Trustees, the Paying and Transfer Agent, the Registrar or any of their respective affiliates have authorised the whole or any part of this Exchange Offer Memorandum and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Exchange Offer Memorandum, or accepts any responsibility for any acts or omissions of the Company or any third party in connection with the Exchange Offer.

This Exchange Offer Memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider participation in the Exchange Offer. You should read this Exchange Offer Memorandum before making a decision whether to participate in the Exchange Offer. You must not use this Exchange Offer Memorandum for any other purpose, or disclose any information in this Exchange Offer Memorandum to any other person.

We have prepared this Exchange Offer Memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of participation in the Exchange Offer. By giving instructions, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section headed "*Notice to Investors*" below.

The Exchange Offer will only be made to, and the New Notes and applicable Subsidiary Guarantees and JV Subsidiary Guarantees (if any) are being offered and will be issued only to, eligible Holders who are non-U.S. persons located outside the United States (as those terms are defined in Regulation S under the Securities Act) in exchange for their Old Notes through Euroclear and Clearstream or certain fiduciaries holding accounts for the benefit of non-U.S. persons outside the United States (as those terms are defined in Regulation S under the Securities Act) with the Old Notes held through Euroclear and Clearstream (the "**Eligible Holders**").

Only Eligible Holders who have, or on whose behalf their brokers, dealers, custodians, trust companies or other nominees have, completed the procedures described in this Exchange Offer Memorandum are eligible to participate in the Exchange Offer.

Tender instructions must be submitted in respect of a minimum nominal amount of Old Notes of no less than the minimum denomination of each series (being US\$200,000), and may thereafter be submitted in integral multiples of US\$1,000; **provided that**, an Eligible Holder may only elect to exchange its Old Notes to New Notes if the principal amount of each New Note to be issued as a result of such election shall be in a minimum amount of US\$200,000 and in integral multiples of US\$1,000; **provided further that**, if an Eligible Holder shall elect to partially exchange its Old Notes into New Notes, the principal amount of each retained Old Note must be in a minimum amount of US\$200,000.

**Only Eligible Holders who tender their Old Notes by properly delivering valid tender instructions on or prior to the Exchange Expiration Deadline pursuant to the terms of the Exchange Offer will be entitled to receive the Exchange Consideration. No other Holders will be entitled to receive any Exchange Consideration.**

Notwithstanding anything to the contrary contained in this Exchange Offer Memorandum or in any other document related to the Exchange Offer, we expressly reserve the right, in our sole discretion and regardless of whether any of the conditions described under "*Description of the Exchange Offer - Conditions to the Exchange Offer*" have been satisfied, subject to applicable law, at any time to (i) terminate the Exchange Offer, in whole or in part, (ii) waive any of the conditions described herein, in whole or in part, (iii) extend the Exchange Expiration Deadline, (iv) amend the terms of the Exchange Offer or (v) modify the form or amount of the Exchange Consideration to be paid pursuant to this Exchange Offer.

Each Holder must make its own decision as to whether to participate in the Exchange Offer. Each Holder is solely responsible for making its own independent appraisal of all matters including those relating to the Exchange Offer (including the aggregate principal amount of Old Notes to offer for exchange pursuant to the Exchange Offer), the Company and its subsidiaries (together, the "**Group**") and the New Notes. None of the Sole Dealer Advisor, the Old Notes Trustee, the New Notes Trustee, the Paying and Transfer Agent, the Registrar or the Information and Exchange Agent or any of their respective affiliates, directors, employees, agents, representatives or advisors owes any duty to any Holder.

Each person receiving this Exchange Offer 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 Sole Dealer Advisor, the Trustees, the Agents or any person affiliated with the Trustees and/or the Agents in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of us and the terms of the Exchange Offer) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Sole Dealer Advisor, the Trustees or any of the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisors or any person who controls any of them.

**The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this Exchange Offer Memorandum. Any representation to the contrary is a criminal offense in the United States.**

We are not making an offer to sell the New Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), in any jurisdiction except where an offer or sale is permitted. The distribution of this Exchange Offer Memorandum and the issuance of the securities, including the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), may in certain jurisdictions be restricted by law. Persons into whose possession this Exchange Offer Memorandum comes are required by us to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the securities, including the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), and distribution of this Exchange Offer Memorandum, see the section headed "*Offer and Distribution Restrictions*" below.

No person has been authorized to provide you with any information or make any representations other than those contained or incorporated by reference herein or in the accompanying materials, and, if given or made, such information or representations must not be relied upon as having been authorized by us, any of our affiliates, the Trustees, the Paying and Transfer Agent, the Registrar, the Sole Dealer Advisor, the Information and Exchange Agent or any other person. The statements made in this Exchange Offer Memorandum are made as of the date hereof, and the delivery of this Exchange Offer Memorandum and the accompanying materials shall not, under any circumstances, create any implication that the information contained herein is correct after the date hereof.

Recipients of this Exchange Offer Memorandum and the accompanying materials should not construe the contents hereof or thereof as legal, business or tax advice. Each recipient should consult its attorney, business advisor, tax advisor and other professional advisors as to legal, business, tax and other matters concerning the Exchange Offer.

Holders may not rely on any investigation that the Sole Dealer Advisor has conducted with respect to the Exchange Offer, this Exchange Offer Memorandum, the New Notes or the Group.

Please handle this matter through your bank or broker. Questions concerning the terms of the Exchange Offer should be directed to the Sole Dealer Advisor at their contact details set forth on the back cover page hereof. Requests for assistance with the delivery of tender instructions or requests for additional copies of this Exchange Offer Memorandum or other related documents should be directed to the Information and Exchange Agent at the contact details set forth on the back cover page hereof.

THIS EXCHANGE OFFER MEMORANDUM HAS NOT BEEN FILED WITH OR REVIEWED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY OF ANY JURISDICTION, NOR HAS ANY SUCH COMMISSION OR AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL AND MAY BE A CRIMINAL OFFENCE.

**NONE OF THE COMPANY OR ITS AFFILIATES, THE TRUSTEES, THE PAYING AND TRANSFER AGENT, THE REGISTRAR, THE SOLE DEALER ADVISOR OR THE INFORMATION AND EXCHANGE AGENT MAKES ANY RECOMMENDATION AS TO WHETHER OR NOT HOLDERS SHOULD TENDER THEIR OLD NOTES FOR EXCHANGE. EACH HOLDER MUST MAKE HIS, HER OR ITS OWN DECISION AS TO WHETHER TO PARTICIPATE IN THE EXCHANGE OFFER. HOLDERS ARE URGED TO EVALUATE CAREFULLY ALL OF THE INFORMATION IN THIS EXCHANGE OFFER MEMORANDUM AND TO CONSULT THEIR INVESTMENT AND TAX ADVISORS IN MAKING THEIR DECISION AS TO WHETHER TO PARTICIPATE IN THE EXCHANGE OFFER.**

The Company accepts full responsibility for the accuracy of the information contained in this Exchange Offer 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.

The Sole Dealer Advisor, the Trustees, the Paying and Transfer Agent, the Registrar, and the Information and Exchange Agent (i) have not independently verified any of the information contained in this Exchange Offer Memorandum, (ii) do not make any representation or warranty, express or implied, and (iii) shall not have any liability or responsibility to the Holders for the accuracy, completeness or truth of the information contained in this Exchange Offer Memorandum, whether the disclosure of the information in this Exchange Offer Memorandum has been disclosed in breach of any confidentiality or similar undertaking, covenant or agreement and/or in breach of any other applicable law, the effectiveness, validity or enforceability of any agreement or other document entered into by or provided to the Holders in connection with the Exchange Offer or the issue of the New Notes or any non-performance by any party to any of them, or the financial condition of the Company or any of its subsidiaries or any other aspect of the Exchange Offer or the New Notes, (iv) do not owe or shall not owe any duty whatsoever to the Holders in connection with the Exchange Offer or the New Notes.

The Sole Dealer Advisor shall not have any obligation to purchase or acquire all or any part of the New Notes subscribed or received by any Holder in the Exchange Offer or to support any losses directly or indirectly sustained or incurred by any Holder for any reason whatsoever in connection with the Exchange Offer or the issue of the New Notes, including the non-performance by the Company and/or the Subsidiary Guarantors of any of their obligations, whether to the Holders or otherwise.

Each of the Trustees expresses no view on the merits of the Exchange Offer but has authorized it to be stated that each of the Trustees has no objection to the Exchange Offer being put to holders of the Old Notes. Each of the Trustees has not been involved in negotiating the Exchange Offer and makes no representation that all relevant information has been disclosed to the Holders in or pursuant to this Exchange Offer Memorandum.

The Sole Dealer Advisor is entitled to hold positions in the Old Notes and the New Notes. The Sole Dealer Advisor is entitled to continue to own or dispose of, in any manner it may elect, any Old Notes it may beneficially own as at the date of this Exchange Offer Memorandum or, from such date, to acquire further Old Notes or New Notes, subject to applicable law. The Sole Dealer Advisor has no obligation to the Company to offer or refrain from offering Old Notes beneficially owned by it in connection with the Exchange Offer.

This Exchange Offer Memorandum should be read and construed in conjunction with the audited consolidated financial statements of the Group for the years ended December 31, 2019, 2020 and 2021 with independent auditor's report thereon, respectively (collectively, the "**Audited Financial Statements**"), which have been published on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in the annual reports of the Company for the years ended December 31, 2020 and 2021, respectively, available on the website of the Stock Exchange at <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042800481.pdf> and <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042701115.pdf>. The Audited Financial Statements shall be deemed to be incorporated in, and form part of this Exchange Offer Memorandum.

From time to time after the termination of the Exchange Offer, the Company and/or its affiliates may purchase additional Old Notes or other outstanding bonds issued by it and/or its affiliates in the open market, in privately negotiated transactions, through tender offers or otherwise or may redeem Old Notes or such other indebtedness that are able to be redeemed, if any, pursuant to their terms. Any future purchases may be on the same terms or on terms that are more or less favourable to holders of the Old Notes than the terms of the Exchange Offer. Any future purchases by the Company and/or its affiliates will depend on various factors existing at that time. There can be no assurance as to which, if any, of these alternatives (or combinations of alternatives) the Company and/or its affiliates may choose to pursue in the future.

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this Exchange Offer Memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our," the "Company," the "Group" and words of similar import, we are referring to Huijing Holdings Company Limited itself, or Huijing Holdings Company Limited and its consolidated subsidiaries, as the context requires.

Market data, industry forecast and the PRC and property industry statistics in this Exchange Offer Memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us, the Trustee or the Agents or our or their respective directors, affiliates, officers, agents, employees, representatives or advisors or any person who controls any of them, and neither we, the Trustee or the Agents nor our or their respective directors, affiliates, officers, agents, employees, representatives or advisors or any person who controls any of them make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and the PRC and property industry statistics.

In this Exchange Offer Memorandum, all references to "US\$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America (the "United States" or "U.S."); all references to "HK\$" and "H.K. dollars" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC ("Hong Kong" or "HK"); and all references to "RMB" or "Renminbi" are to Renminbi, the official currency of the People's Republic of China ("China" or the "PRC").

We record and publish our financial statements in Renminbi. Unless otherwise stated in this Exchange Offer Memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.3726 to US\$1.00, the exchange rate set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States ("Federal Reserve Board") on December 30, 2021. All such translations in this Exchange Offer 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 *vice versa*, at any particular rate or at all.

References to "PRC" and "China" in the context of statistical information and description of laws and regulations in this Exchange Offer Memorandum, except where the context otherwise requires, do not include Hong Kong, the Macau Special Administrative Region of the PRC ("Macau"), or Taiwan. "PRC Government" or "State" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") which differ in certain respects from generally accepted accounting principles in certain other countries.

Unless the context otherwise requires, references to "2019", "2020" and "2021" in this Exchange Offer Memorandum are to our financial years ended December 31, 2019, 2020 and 2021, respectively.

References to "share" are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK\$0.01, in our share capital.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and gross floor area ("GFA") information presented in this Exchange Offer Memorandum represent the site area and GFA of the entire project, including those attributable to the minority shareholders of our non-wholly owned project companies.

In this Exchange Offer Memorandum, a land grant contract refers to a state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land

administrative authorities, typically the local state-owned land bureaus, now referred to as the natural resources bureaus.

In this Exchange Offer Memorandum, a land use rights certificate refers to a state-owned land use rights certificate (國有土地使用權證) issued by a local natural resources bureau with respect to the land use rights; a construction land planning permit refers to a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties; a certificate of completion refers to a construction project completion inspection and clearance certificate (建設工程竣工驗收備案證書) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection; and a property ownership certificate refers to a property ownership and land use rights certificate (國有土地使用權證) issued by a local natural resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land.

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

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations or transliterations 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 Exchange Offer Memorandum contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include 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 interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- projects under development or held for future development;
- the regulatory environment of our industry in general;
- the performance and future developments of the property market in China or any region in China in which we may engage in property development;
- 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 the various permits, proper legal titles or approvals for our properties under development or held for future development;
- 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 guarantees of future performance and some of which 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 headed

"*Risk Factors*" in this Exchange Offer Memorandum. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this Exchange Offer Memorandum, whether as a result of new information, future events or otherwise after the date of this Exchange Offer Memorandum. All forward-looking statements contained in this Exchange Offer Memorandum are qualified by reference to the cautionary statements set forth in this section.



## ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability and operate principally in China. As substantially all of our business is conducted, and substantially all of our assets are located, in China, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations. Substantially all of our Directors and officers reside outside the United States. All or a substantial portion of our assets and of such persons' assets are or may be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons, or to enforce against us or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

It is uncertain whether the courts of the Cayman Islands would (i) enforce judgments obtained in the United States courts against us or our Directors or officers predicated upon the civil liability provisions of the federal securities laws of the United States; or (ii) entertain actions brought in the Cayman Islands against us or our Directors or officers predicated upon the civil liability provisions of the federal securities laws of the United States.

The courts of the Cayman Islands would recognize as a valid judgment a final and conclusive judgment *in personam* obtained in the United States courts against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an *in personam* judgment for non-monetary relief and would give a judgment based thereon **provided that** (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

It is doubtful whether the courts in the British Virgin Islands will enforce judgments obtained in the United States, against us or our Directors or officers under the securities laws of the United States or entertain actions in the British Virgin Islands against us or our directors or officers under the securities laws of the United States.

The courts of the British Virgin Islands would recognize as a valid judgment a final and conclusive judgment *in personam* obtained in the United States courts against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon **provided that** (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the British Virgin Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands and (f) there is due compliance with the correct procedures under the laws of the British Virgin Islands.

Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon US federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court, and then seeking summary or default judgment on the strength of the foreign judgment, **provided that** the foreign judgment is for a debt or definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment: (i) was obtained by fraud; (ii) was rendered by a foreign court that lacked the appropriate jurisdiction at the time according to Hong Kong rules; (iii) is contrary to Hong Kong rules of public policy or notion of natural justice; or (iv) is directly or indirectly for the payment of foreign taxes, penalties, fines or charges of a like nature.

## AVAILABLE INFORMATION

We file annual reports and other information with The Stock Exchange of Hong Kong Limited (the "SEHK"). Such filings are available to the public from the SEHK's website at <http://www.hkexnews.hk> and at our website at [www.huijingholdings.com](http://www.huijingholdings.com). Please note that our reports and other information filed with the SEHK and the information contained on the SEHK's website and our website are not incorporated by reference in this Exchange Offer Memorandum and should not be considered a part of this Exchange Offer Memorandum.

## OFFER AND DISTRIBUTION RESTRICTIONS

*This Exchange Offer Memorandum does not constitute an offer of securities for sale in any jurisdiction where it is unlawful to do so. The distribution of this Exchange Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this Exchange Offer Memorandum comes are required by us, the Trustees, the Sole Dealer Advisor and the Information and Exchange Agent to inform themselves about and to observe any such restrictions.*

*No action has been or will be taken by any of the Company, the Sole Dealer Advisor, the Trustees or the Information and Exchange Agent that would permit a public offering of the New Notes, or possession or distribution of this Exchange Offer Memorandum, in any country or jurisdiction where action for that purpose is required.*

### **Singapore**

This Exchange Offer Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore ("MAS") under the SFA. Accordingly, the New Notes may not be offered or sold (including as part of the Exchange Offer), or be made the subject of an invitation for subscription or purchase, nor may this Exchange Offer Memorandum or any other document or material in connection with the Exchange Offer or otherwise in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes be circulated or distributed, whether directly or indirectly, to any person 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, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities 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 New Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) 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)(c)(ii) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

### **Hong Kong**

The New Notes may not be offered or sold (including as part of the Exchange Offer) in Hong Kong, by means of any document, other than (i) 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 (ii) 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 no advertisement,

invitation or document relating to the New Notes may be issued or may be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to New 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.

### **United States**

The Exchange Offer will only be made to, and the New Notes are being offered and will be issued only to, Eligible Holders who are non-U.S. persons located outside the United States and hold the Old Notes through Euroclear or Clearstream or certain fiduciaries holding accounts for the benefit of non-U.S. persons outside the United States and holding the Old Notes through Euroclear or Clearstream.

The New Notes have not been, and will not be, registered under the Securities Act, or the securities laws of any state of the United States or other jurisdictions, and the New Notes may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable laws of any other jurisdiction. See "*Notice to Investors*".

### **Prohibition of Sales to EEA Retail Investors**

The New Notes may not be offered, sold or otherwise made available 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, "**EU MiFID II**"); or
- (ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

### **Prohibition of Sales to UK Retail Investors**

The New Notes may not be offered, sold or otherwise made available to any retail investor in the United Kingdom.

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 ("**EUWA**"); or
- (ii) a customer within the meaning of the provisions of the United Kingdom's Financial Services and Markets Act 2000, 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.

### **United Kingdom**

The communication of this Exchange Offer Memorandum and any other document or materials relating to the issue of the New Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the FSMA. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000

(Financial Promotion) Order 2005 (the "**Financial Promotion Order**") or persons who are within Article 43(2) of the Financial Promotion Order or any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the New Notes offered hereby are only available to, and any investment or investment activity to which this Exchange Offer Memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this Exchange Offer Memorandum or any of its contents.

No invitation or inducement to engage in investment activity (within the meanings of section 21 of the FSMA) received by the Sole Dealer Advisor in connection with the Exchange Offer may be communicated or caused to be communicated except in circumstances in which section 21(1) of the FSMA does not apply to the Sole Dealer Advisor. All applicable provisions of the FSMA must be complied with in respect to anything done or to be done by the Sole Dealer Advisor in relation to the Exchange Offer in, from or otherwise involving the United Kingdom.

#### **Cayman Islands**

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the New Notes.

#### **British Virgin Islands**

No invitation whether directly or indirectly may be made to the public in the British Virgin Islands to subscribe for the New Notes.

## SUMMARY

*This summary does not contain all the information that may be important to you in deciding to participate in the Exchange Offer. You should read the entire Exchange Offer Memorandum, including the section headed "Risk Factors" and our consolidated financial statements and related notes thereto, before making an investment decision.*

### BACKGROUND AND PURPOSE OF THE EXCHANGE OFFER

During the second half of 2021, Chinese property developers and the capital markets that have funded the growth and development of the property sector in the PRC have experienced a turning point. Since September 2021, there has been negative news relating to defaults by certain Chinese property developers on their indebtedness. This has had a negative impact on, and resulted in increased volatility in, the property sector in the PRC. Reduced bank lending for real estate development has adversely affected access by Chinese property developers to onshore capital. Reduced bank lending for mortgage finance for buyers, combined with buyers' concerns about the ability of Chinese property developers to complete projects, has adversely affected property sales. The use of pre-sale proceeds is also restricted under the applicable PRC laws. Negative reaction to these onshore events by offshore capital markets has curtailed funding sources to address upcoming maturities of outstanding offshore debt securities issued by Chinese property developers. There is no guarantee that such situation will improve in the short term, and the PRC property market may not continue to grow and, may even experience contraction. In addition, there may be more Chinese property developers which are unable to pay their debts when due and default on their indebtedness, and we may experience difficulty in refinancing our existing indebtedness.

Despite the adverse market environment, we are working on generating sufficient cash flow to meet our financial commitments, including, among others, through extension of our existing credit facilities, opportunistic financing and expenditure conservation. As part of these efforts, we are conducting the Exchange Offer to refinance the Old Notes and extend our debt maturity profile to improve our debt structure. We are offering Eligible Holders of the Old Notes an opportunity to exchange their Old Notes for the New Notes with an extended maturity subject to the terms of the Exchange Offer, which allows us to improve our financial condition and stability. If the Exchange Offer is not successfully consummated, we may not be able to fully redeem the Old Notes upon maturity on July 21, 2022.

### OVERVIEW

We are an established integrated residential and commercial property developer in the PRC focusing on the Guangdong and Hunan provinces. We originally began with property projects in Dongguan and have gradually expanded to Heyuan, the Yangtze River Delta Urban Cluster (which includes Anhui Province, Jiangsu Province and Zhejiang Province) and the Yangtze Mid-stream Urban Cluster (which includes Hubei Province, Hunan Province and Jiangxi Province). In 2021, the total contracted sales of our Group, together with our joint venture, achieved a 3.9% year-on-year growth and amounted to RMB8,004.7 million. Having been recognized by the market, we are dedicated to offering quality properties to our customers. We also offer properties promoting specific industries encouraged by local government authorities.

Our property projects comprise residential property projects, integrated property projects and property projects promoting specific industries. Our integrated property projects typically consist of a combination of residential and commercial properties. Our residential properties primarily include apartments, townhouses, mansions and villas. Our commercial properties primarily include retail outlets, shopping malls, offices, and where required by the relevant land grant contract, hotels. Our properties promoting specific industries comprise of our cultural and tourism-healthy living town projects ("文旅康養"項目) and scientific and innovative technologies industrial town projects ("科創產業"項目).

We believe that our strong brand recognition, in particular in Dongguan, together with our land sourcing strategy and cost control measures, have contributed to our growth. For the years ended December 31, 2019, 2020 and 2021, the contracted sales of our Group, together with that of our joint venture, amounted to RMB4,391.7 million, RMB7,705.9 million and RMB8,004.7 million, for the respective periods, and recorded a revenue generated from the sale of properties of approximately RMB3,601.0 million, RMB5,150.0 million and RMB5,305.4 million, for the respective periods. For the years ended December 31, 2019, 2020 and 2021, we recorded contracted sales GFA of 338,370 sq.m., 757,828 sq.m. and 981,997

sq.m., respectively, and our Group, together with our joint venture, has developed and delivered properties with a total GFA of 323,795 sq.m., 578,747 sq.m. and 758,749 sq.m., respectively.

Urban renewal developments have been one of our main focuses. As of December 31, 2021, we had three urban renewal projects for which we had initiated the urban renewal process with the relevant government authorities or had otherwise begun official discussion with the relevant government authority in respect of the proposed application for urban renewal. We also entered into nine agreements as preparatory services providers for nine projects located in Dongguan city with a total site area of 2,229,500 sq.m. as of December 31, 2021. Please refer to the section headed "*Business — Our Property Development Operation and Management*" for further details.

We and our property projects have been awarded various accolades from different organizations. In 2021, we were awarded the Listed Company Award of Excellence 2021 (上市公司卓越大獎 2021) by Hong Kong Economic Journal (信報財經新聞), the 2021 Top 100 China Star Real Estate Developers (2021 中國房地產百強之星), the 2021 Top 200 China Real Estate Companies (2021 中國房地產 200 強企業) and the 2021 Top 10 China Guangdong-Hong Kong-Macau Greater Bay Area Real Estate Brand Value (2021 中國粵港澳大灣區房地產公司品牌價值 TOP10) by China Index Academy (中國指數研究院), the 2021 Top 30 Annual Real Estate Developers with Investment Value (2021 年度投資價值地產企業 (30 強)) and the 2021 Top 10 China Newly Listed Real Estate Companies with Best Performance (2021 中國房地產行業新晉上市表現 TOP10) by Guandian Index Academy (觀點指數研究院), as well as the 2021 China Listed Company Brand Value Leaderboard (2021 中國上市公司品牌價值榜) by National Business Daily (每日經濟新聞) and School of Economics and Management, Tsinghua University (清華大學經濟管理學院). Please refer to the section headed "*Business — Our Awards*" for further details.

## **RECENT DEVELOPMENT**

### ***Ongoing COVID-19 Pandemic***

The ongoing COVID-19 pandemic has caused substantial disruptions in the PRC and globally, and has created additional uncertainties to the Group's operating environment. While the spread of COVID-19 has slowed during 2021, spikes of increase in infection levels have occurred in 2022 with an increasing number of COVID-19 cases, including cases involving new COVID-19 variants such as Delta and Omicron, in multiple cities in China. The local authorities of such cities in China have reinstated certain measures to keep COVID-19 in check, including city lockdown, travel restrictions and stay-at-home orders. The resurgence of COVID-19 and the resulting restrictive measures may have negative impact on our business operations, profitability and cash flows. For details about the impact of COVID-19 on the Group, please refer to the sections headed "*Risk Factors – Risks Relating to Our Business and Industry – The occurrence of a severe communicable disease or a pandemic could materially and adversely affect the Group's business operations, financial condition and results of operations.*" and "*Risk Factors – Risks Relating to the PRC – The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.*" In light of such uncertainties, the Group has prioritized the objective of maintaining a healthy cash flow and has adopted the strategy of preserving cash.

### ***Dividend for the Year Ended December 31, 2021***

For the year ended December 31, 2021, the Company declared a final dividend of HK\$2.48 cents per ordinary share of the Company, amounting to a total dividend of approximately RMB106,351,000.

### ***New Notes Sales and Purchase Agreement***

The Company, Mr. Lun Ruixiang (the "**Individual Purchaser**" and, together with the Company, the "**Purchasers**") and the guarantors named therein (the "**Guarantors**") expect to enter into a sale and purchase agreement (the "**New Notes Sale and Purchase Agreement**") with certain holder(s) of the Old Notes (the "**Seller**") whereby the Purchasers (failing which, the Guarantors) will agree to (a) purchase US\$10,000,000, US\$10,000,000 and US\$10,000,000 in principal amount of the New Notes that the Seller or its affiliates may acquire pursuant to the Exchange Offer on or prior to October 31, 2022, January 31, 2023 and April 30, 2023, respectively, and (b) purchase all New Notes held by the Seller following the occurrence of either (i) any default or event of default under the New Notes or other debt securities issued by the Company or any of its Subsidiaries (other than the Old Notes or other indebtedness with respect to which any default or event of default occurs as a result of any default or event of default under the Old

Notes), or (ii) any event of default under the New Notes Sale and Purchase Agreement, which includes, among other things, the occurrence of any event or circumstance that the Seller determines to have or be reasonably likely to have a material adverse effect with respect to any of the Purchasers or Guarantors, in the case of each of (a) and (b), at a purchase price of 100.00 per cent. of the principal amount of, plus all accrued and unpaid interest on, the New Notes to be purchased, together with any other unpaid amount owed by the Company in respect of such New Notes to the Seller.

#### **OUR COMPETITIVE STRENGTHS**

We believe that the following factors contribute to our strong competitive position:

- Flexible land acquisition methods and sizeable and quality land reserves;
- Our experience in procuring and developing urban renewal projects;
- Ability to control land acquisition costs and construction costs;
- Ability to identify and acquire quality and cost-competitive land parcels;
- Construction management and cost controls;
- Sustainable high profitability;
- Reasonable capital structure and increasing financing ability; and
- We have a professional management team with extensive industry experience.

#### **OUR STRATEGIES**

The Group adheres to the business model of "focusing on residential development projects, while taking the urban renewal projects as the core, as well as the cultural and tourism-healthy living towns and the scientific and innovative technologies industrial towns as the two wings (以住宅開發為主營業務，以城市更新為核心、文旅康養和科創產業為雙翼)", which constitutes its "one focus, one core, and two wings (一主一核兩翼)" blueprint, to enrich the diversity of profit structure and continuously enhance the core competitiveness and sustainable development capability of the Group.

We will adhere to the strategic positioning of "penetrating into Dongguan, maintaining foothold in the Greater Bay Area, and sustaining coverage of the Southern, Central and Eastern China areas (深耕東莞，立足大灣區，佈局華南、華中及華東地區)". With a foothold in Dongguan, we will primarily focus on developments in Guangdong Province and expansion into other regions in the PRC such as the Central China Region.

In line with our business model and to achieve our goal, we intend to implement the following strategies:

- Continue to pursue urban renewal projects together with cultural and tourism-healthy living town projects and scientific and innovative technologies industrial town projects;
- Improve corporate operations and continue to cooperate with entities in emerging industries;
- Optimize corporate financial structure; and
- Attract, retain and motivate skilled and talented employees.



## SUMMARY OF EXCHANGE OFFER

*This summary contains basic information about the Exchange Offer. It may not contain all of the information that is important to you when deciding whether to accept the Exchange Offer and it is qualified in its entirety by the more detailed information included in this Exchange Offer Memorandum. You should carefully consider the information contained in this Exchange Offer Memorandum including "Risk Factors". In addition, certain statements include forward looking statements that involve risks and uncertainties. See "Forward-Looking Statements."*

*Major terms of the Exchange Offer are summarized below. We urge you, however, to read the detailed descriptions in the sections of this Exchange Offer Memorandum entitled "Description of the Exchange Offer". Certain other details of the New Notes will be confirmed in accordance with the schedule set out in "Summary Timetable".*

<b>Company</b>	Huijing Holdings Company Limited
<b>Old Notes</b>	12.50% Senior Notes due 2022 (ISIN: XS2364281506; Common Code: 236428150)
<b>New Notes</b>	<p>The New Notes will be Senior Notes due 2023, guaranteed by certain of the Company's offshore subsidiaries.</p> <p>The New Notes to be issued consist of the New Notes to be issued in the Exchange Offer on the Settlement Date.</p> <p>The New Notes will bear interest at the rate of 12.50% per annum and will have a tenor of 364 days. Interest will be payable on the date being the end of the six-month period starting from the Original Issue Date and the Maturity Date of the New Notes.</p> <p>For a detailed description of the New Notes, refer to "<i>Description of the New Notes.</i>"</p>
<b>The Exchange Offer</b>	<p>Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, we are offering to exchange at least the Minimum Acceptance Amount of our outstanding Old Notes for our New Notes. As of the date of this Exchange Offer Memorandum, US\$138,000,000 in aggregate principal amount of our Old Notes are outstanding.</p> <p>Holders of Old Notes validly tendered, accepted and exchanged in the Exchange Offer will, from and including the Settlement Date, waive any and all rights with respect to the Old Notes and will release and discharge us from any and all claims such Holder may have, now or in the future, arising out of or related to such Old Notes.</p>
<b>Purpose of the Exchange Offer</b>	<p>The purpose of the Exchange Offer is to refinance the Old Notes and extend the Company's debt maturity profile to improve its debt structure.</p> <p>Whether or not the Exchange Offer is consummated, we expressly reserve our absolute right, at our sole discretion, from time to time to redeem or purchase any Old Notes through open market or privately negotiated transactions, one or more tender offers or additional exchange offers or otherwise, on terms that may differ from the Exchange Offer and could be for cash or other consideration.</p>

	<p>If the Exchange Offer is not successfully consummated, we may not be able to fully redeem the Old Notes upon maturity on July 21, 2022. See “<i>Summary</i>” for more details.</p>
<b>Minimum Acceptance Amount</b>	<p>The minimum aggregate principal amount of the Old Notes, being US\$107,400,000, or 77.826%, of the outstanding principal amount of the Old Notes, for which valid tenders are received and that the Company will determine, in its sole discretion, whether it will accept for exchange pursuant to the Exchange Offer. The Minimum Acceptance Amount cannot be amended or waived. If we receive valid tenders of the Old Notes for less than the Minimum Acceptance Amount, we will not proceed with the Exchange Offer and the Exchange Offer shall lapse automatically and any Old Notes validly tendered will be promptly returned to the account of such Holder.</p>
<b>Exchange Consideration</b>	<p>For each US\$1,000 principal amount of outstanding Old Notes that is validly tendered and accepted for exchange prior to the Exchange Expiration Deadline, Holders will receive, subject to the terms and conditions set forth herein, (a) US\$1,000 principal amount of the New Notes, (b) Accrued Interest in cash and (c) in the event that any tendering Holder is entitled to receive New Notes in a principal amount that is not an integral multiple of US\$1,000, cash (rounded to the nearest US\$0.01, with US\$0.005 rounded upwards) in lieu of any fractional amount of the New Notes equal to the principal amount of the New Notes not issued (after rounding downward the amount of the New Notes to the nearest multiple of US\$1,000).</p>
<b>Exchange Expiration Deadline</b>	<p>4:00 p.m., London time, on July 13, 2022, unless extended or terminated earlier in our sole discretion.</p>
<b>Withdrawal and Revocation</b>	<p>Instructions in connection with the Exchange Offer are irrevocable. Once the Old Notes are tendered in the Exchange Offer, you may not withdraw from the Exchange Offer in respect of such Old Notes.</p>
<b>Holders Eligible to Participate</b>	<p>The Exchange Offer will only be made to, and the New Notes and applicable Subsidiary Guarantees and JV Subsidiary Guarantees (if any) are being offered and will be issued only to, eligible holders who are non-U.S. persons located outside the United States in exchange for their Old Notes through Euroclear and Clearstream or certain fiduciaries holding accounts for the benefit of non-U.S. persons outside the United States with the Old Notes held through Euroclear and Clearstream (the “<b>Eligible Holders</b>”).</p> <p>Only Eligible Holders who have, or on whose behalf their brokers, dealers, custodians, trust companies or other nominees have, completed the procedures described in this Exchange Offer Memorandum are eligible to participate in the Exchange Offer.</p> <p>For a description of restrictions on resale or transfer of the New Notes, see the section headed “<i>Notice to Investors</i>”.</p>
<b>Settlement Date</b>	<p>We anticipate that the Settlement Date (the “<b>Settlement Date</b>”) will occur on or about July 18, 2022, unless the Exchange Offer is extended or terminated earlier in our sole discretion.</p>
<b>Exchange Website</b>	<p><a href="https://sites.dfkingltd.com/huijing">https://sites.dfkingltd.com/huijing</a> (the “<b>Exchange Website</b>”), the website set up by the Information and Exchange Agent for the</p>

	<p>purposes of hosting the documents relating to the Exchange Offer.</p>
<b>Conditions to the Exchange Offer</b>	<p>Our obligation to consummate the Exchange Offer is conditional upon (1) the valid tender of Old Notes for at least the Minimum Acceptance Amount and (2) the satisfaction of the conditions described in "<i>Description of the Exchange Offer — Conditions to the Exchange Offer</i>" being satisfied or waived.</p> <p>We may terminate, extend or withdraw the Exchange Offer at any time if any of the conditions are not satisfied, extended or waived by the Settlement Date. We may also extend the Exchange Offer from time to time until the conditions are satisfied or waived. We reserve the right to amend, modify or waive, at any time, the terms and conditions of the Exchange Offer at our sole discretion, subject to applicable law.</p>
<b>Procedures for Tendering Old Notes</b>	<p>See "<i>Procedures for Tendering Old Notes</i>." For further information, please contact D.F. King Ltd., who has been retained as the Information and Exchange Agent for the Exchange Offer or consult your broker, dealer, commercial bank, trust company or other nominee or custodian for assistance.</p> <p>PLEASE NOTE: The Exchange Offer is available only to investors who are non-U.S. persons outside the United States. U.S. PERSONS AND PERSONS LOCATED IN THE UNITED STATES ARE NOT PERMITTED TO TENDER OLD NOTES IN THE EXCHANGE OFFER.</p>
<b>Acceptance of Tenders; Delivery of New Notes</b>	<p>Subject to the terms and conditions described herein, we will accept instructions that are validly tendered prior to the Exchange Expiration Deadline. Upon our determination that the conditions to the Exchange Offer have been satisfied or waived, participants in the Exchange Offer who have validly tendered Old Notes that are accepted for exchange will receive New Notes on the Settlement Date and such New Notes will accrue interest from and including the Settlement Date.</p>
<b>Minimum Aggregate Principal Amount of the Old Notes to Be Tendered</b>	<p>The Old Notes being tendered for exchange may only be submitted in a minimum principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The aggregate principal amount of the New Notes to be issued to any holder of outstanding Old Notes (a "<b>Holder</b>") will be in a minimum principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof; <b>provided that</b>, if an Eligible Holder shall elect to partially exchange its Old Notes into New Notes, the principal amount of each retained Old Note must be in a minimum principal amount of US\$200,000.</p>
<b>Consequences of Failure to Exchange Notes</b>	<p>For a description of the consequences of failing to exchange your Old Notes, see "<i>Risk Factors</i>" and "<i>Description of the Exchange Offer — Certain Consequences to Holders Not Participating in the Exchange Offer</i>."</p>
<b>Use of Proceeds</b>	<p>We will not receive any cash proceeds from the Exchange Offer. See "<i>Use of Proceeds</i>."</p>
<b>Brokerage Commissions</b>	<p>No brokerage commissions are payable by the Holders to us, the Sole Dealer Advisor or the Information and Exchange Agent.</p>
<b>Sole Dealer Advisor</b>	<p>CMB International Capital Limited.</p>

<b>Information and Exchange Agent</b>	D.F. King Ltd. has been appointed as the information and exchange agent for the Exchange Offer. You can find the address and telephone number for the information and exchange agent on the back cover of this Exchange Offer Memorandum.
<b>Trustees</b>	<p>China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) is the trustee for the Old Notes.</p> <p>China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) will act as the trustee for the New Notes.</p>
<b>Paying and Transfer Agent and Registrar</b>	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) is the paying and transfer agent and the registrar for the Old Notes, and will be appointed as the paying and transfer agent and the registrar for the New Notes.
<b>Clearing Systems</b>	Euroclear and/or Clearstream (each a " <b>Clearing System</b> ").
<b>Further Information</b>	<p>This Exchange Offer Memorandum, including any updates, will be available via the following website: <a href="https://sites.dfkingltd.com/huijing">https://sites.dfkingltd.com/huijing</a>.</p> <p>Questions about the terms of the Exchange Offer should be directed to the Sole Dealer Advisor and the Information and Exchange Agent, as appropriate.</p> <p>If you have questions regarding the exchange procedures or require additional copies of this Exchange Offer Memorandum, please contact the Information and Exchange Agent.</p> <p>Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominees or custodians for assistance concerning the Exchange Offer.</p>

## SUMMARY OF THE NEW NOTES

*The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this Exchange Offer Memorandum. Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the New Notes."*

Issuer	Huijing Holdings Company Limited (the " <b>Company</b> ").
New Notes to be issued	12.50% Senior Notes due 2023 (the " <b>New Notes</b> ").
Maturity Date	July 2023 (364 days after the Original Issue Date (the " <b>Maturity Date</b> ").
Interest	Interest is payable in arrears on the date being the end of the six-month period starting from the Original Issue Date (as defined in the Indenture) and the Maturity Date of the New Notes.
Ranking of the New Notes	<p>The New Notes are:</p> <ul style="list-style-type: none"><li>(a) general obligations of the Company;</li><li>(b) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the New Notes;</li><li>(c) at least <i>pari passu</i> in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);</li><li>(d) guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to certain limitations described under the sections headed "<i>Risk Factors – Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees</i>" and "<i>Description of the New Notes – The Subsidiary Guarantees and the JV Subsidiary Guarantees</i>";</li><li>(e) effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and</li><li>(f) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.</li></ul>
Subsidiary Guarantees	<p>Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the New Notes.</p> <p>The initial Subsidiary Guarantors will consist of all of the Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC and the Initial Other Non-Guarantor Subsidiaries (as defined herein).</p> <p>All of the initial Subsidiary Guarantors are holding companies that do not have significant operations. See the section headed "<i>Risk Factors – Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees – Our initial</i></p>

*Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees."*

Any future Restricted Subsidiary, as defined under "*Description of the New Notes – Definitions*" (other than subsidiaries organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), will guarantee the New Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor as soon as practicable after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, **provided that**, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 15.0% of the Total Assets of the Company.

A Subsidiary Guarantee may be released or replaced in certain circumstances. See "*Description of the New Notes – Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.*" In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% of the Capital Stock of such Subsidiary Guarantor, the Company may release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, **provided that** after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors (if any) (including such Other Non-Guarantor Subsidiaries) do not account for more than 15.0% of the Total Assets of the Company.

Ranking of Subsidiary Guarantees

The Subsidiary Guarantee of each Subsidiary Guarantor will

- (a) be a general obligation of such Subsidiary Guarantor;
- (b) be effectively subordinated to secured obligations (if any) of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- (c) be senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- (d) rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and
- (e) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Ranking of JV Subsidiary Guarantees	<p>A JV Subsidiary Guarantee instead of a Subsidiary Guarantee may be provided by a Subsidiary Guarantor concurrently with the consummation of (x) a sale by the Company or any of its Restricted Subsidiaries of Capital Stock in such Subsidiary Guarantor, where such sale is for no less than 20% of the issued Capital Stock of such Restricted Subsidiary or (y) a purchase of the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary and is designated a Restricted Subsidiary. No JV Subsidiary Guarantee exists as of the Original Issue Date.</p> <p>The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will:</p> <ul style="list-style-type: none"> <li>(a) be a general obligation of such JV Subsidiary Guarantor;</li> <li>(b) be limited to and enforceable only up to the JV Entitlement Amount;</li> <li>(c) be effectively subordinated to secured obligations (if any) of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;</li> <li>(d) be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee;</li> <li>(e) rank at least <i>pari passu</i> with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and</li> <li>(f) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.</li> </ul>
Use of Proceeds	The Company will not receive any cash proceeds from the Exchange Offer.
Optional Redemption	<p>At any time prior to the Maturity Date, the Company may at its option redeem the New Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the New Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.</p> <p>At any time and from time to time prior to the Maturity Date, the Company may redeem up to 35% of the aggregate principal amount of the New Notes at a redemption price of 112.50% of the principal amount of the New Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the Net Cash Proceeds from sales of certain kinds of its capital stock, subject to certain conditions.</p>
Repurchase of New Notes upon a Change of Control	Not later than 30 days following a Change of Control, the Company will make an offer to repurchase all outstanding New Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.
Repurchase of New Notes upon a Relevant Event	Not later than 30 days following a Relevant Event, the Company, to will make an offer to repurchase all outstanding New Notes at a purchase price equal to 100% of the principal amount plus

	<p>accrued and unpaid interest, if any, to (but not including) the repurchase date.</p>
Redemption for Taxation Reason	<p>Subject to certain exceptions, the Company may redeem the New Notes, as a 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 (as defined herein)), if any, to the date fixed for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See the section headed "<i>Description of the New Notes – Redemption for Taxation Reasons.</i>"</p>
Covenants	<p>The New Notes, the indenture for the New Notes (the "<b>Indenture</b>") and the Subsidiary Guarantees will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> <li>(a) incur or guarantee additional indebtedness and issue disqualified or preferred stock;</li> <li>(b) make investments or other specified restricted payments;</li> <li>(c) issue or sell capital stock of Restricted Subsidiaries;</li> <li>(d) guarantee indebtedness of Restricted Subsidiaries;</li> <li>(e) sell assets;</li> <li>(f) create liens;</li> <li>(g) enter into sale and leaseback transactions;</li> <li>(h) engage in any business other than certain permitted business;</li> <li>(i) enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;</li> <li>(j) enter into transactions with shareholders or affiliates; and</li> <li>(k) effect a consolidation or merger.</li> </ul> <p>These covenants are subject to a number of important qualifications and exceptions described in "<i>Description of the New Notes – Certain Covenants.</i>"</p>
Carve-out to Events of Default	<p>The events of default provision under the New Notes will carve out the default of the Old Notes and other defaults whose occurrence is as a result of any default or event of default under the Old Notes. See "<i>Description of the New Notes – Events of Default</i>" and "<i>Risk Factors – Risks Relating to the Exchange Offer – The events of default provision under the New Notes will carve out any cross-default events arising directly or indirectly from any defaults or events of default under the Old Notes.</i>"</p>
Transfer Restrictions	<p>The New Notes will not be registered under the U.S. Securities Act or under any state securities laws of the United States and</p>



	will be subject to customary restrictions on transfer and resale. See the section headed " <i>Notice to Investors</i> ."	
Form, Denomination and Registration	The New Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount 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 a nominee of a common depository for Euroclear and Clearstream.	
Clearance and Settlement	The New Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants, including Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see the section headed " <i>Description of the New Notes – Book-Entry; Delivery and Form</i> ."	
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 and Registrar	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)	
Governing Law	The New Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York.	
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the New Notes, see the section headed " <i>Risk Factors</i> ."	
Security Codes	ISIN	Common Code
	XS2496487286	249648728

## INDICATIVE TIMETABLE

Beneficial owners of the Old Notes should take note of the important indicative dates and times set out in the timetable below in connection with the Exchange Offer. This timetable is subject to change and dates and times may be extended, re-opened or amended in accordance with the terms of the Exchange Offer, as described in this Exchange Offer Memorandum. Accordingly, the actual timetable may differ significantly from the timetable below. All references below are to London time, unless otherwise stated. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Exchange Offer Memorandum.

In relation to the times and dates indicated below, Eligible Holders should note the particular practices and policies of the relevant Clearing System regarding their communications deadlines, which will determine the latest time at which tenders of the Old Notes for exchange may be delivered to the relevant Clearing System (which may be earlier than the deadlines set forth below) so that they are received by the Information and Exchange Agent within the deadlines set forth below.

All notices to Eligible Holders will be released through delivery to the Clearing Systems for communication to direct participants. All notices and documents will be made available on the Exchange Website maintained by the Information and Exchange Agent at: <https://sites.dfkingltd.com/huijing>.

<b>Date</b>	<b>Event</b>
<b>July 7, 2022</b>	<p><b><i>Commencement of the Exchange Offer and publication of announcements via the Exchange Website, the website of the SEHK and the SGX-ST and through Euroclear and Clearstream.</i></b></p> <p>Exchange Offer Memorandum will be made available to Eligible Holders of the Old Notes on the Exchange Website.</p>
<b>July 13, 2022 (4:00 p.m., London time)</b>	<p><b><i>Exchange Expiration Deadline</i></b></p> <p>Final deadline for receipt of valid instructions by the Information and Exchange Agent in order for Eligible Holders to be able to participate in the Exchange Offer and to be eligible to receive the Exchange Consideration.</p>
<b>As soon as practicable after the Exchange Expiration Deadline</b>	<p><b><i>Announcement of Exchange Offer results</i></b></p> <p>Announcement of the aggregate principal amount of the Old Notes validly tendered and accepted for exchange, the final total aggregate principal amount of New Notes to be issued to Eligible Holders in exchange for the Old Notes validly tendered, accepted and exchanged and the aggregate principal amount of the Old Notes outstanding following the settlement of the Exchange Offer.</p>
<b>On or about July 18, 2022</b>	<p><b><i>Settlement Date</i></b></p> <p>(i) Settlement and issuance of the New Notes, delivery of the Exchange Consideration to Eligible Holders whose Old Notes have been validly tendered and accepted for exchange and cancellation of such Old Notes.</p> <p>(ii) Announcement of settlement of the New Notes and cancellation of the Old Notes.</p>
<b>On or about July 19, 2022</b>	<p>Listing of the New Notes on the SGX-ST.</p>

*Beneficial owners of the Old Notes are advised to check with their brokers, dealers, commercial banks, trust companies or other nominees or custodians, including the Clearing Systems, through which they hold their Old Notes as to whether such intermediary applies different deadlines for any of the events*

*specified above, and then to adhere to such deadlines if such deadlines are prior to the deadlines set out above.*

***All of the above dates are subject to earlier deadlines that may be specified by any relevant Clearing System or intermediary.***

We reserve the right to extend the Exchange Expiration Deadline in our sole discretion. In such a case, the date on which the subsequent announcement relating to the Exchange Offer will be delivered and the Settlement Date will be adjusted accordingly. Eligible Holders should inform themselves of any earlier deadlines that may be imposed by the Clearing Systems and/or any intermediaries, which may affect the timing of the submission of an Instruction.

Unless stated otherwise, announcements in connection with the Exchange Offer will be made by publication on the website of the SEHK and the SGX-ST, on the Exchange Website and by the delivery of notices to the Clearing Systems for communication to direct participants. Copies of all such announcements, press releases and notices can also be obtained from the Information and Exchange Agent, the contact details for which are on the last page of this Exchange Offer Memorandum. Significant delays may be experienced where notices are delivered to the Clearing Systems and Holders are urged to contact the Information and Exchange Agent for the relevant announcements during the course of the Exchange Offer. In addition, holders of Old Notes may contact the Sole Dealer Advisor for information using the contact details on the last page of this Exchange Offer Memorandum.

## SUMMARY CONSOLIDATED FINANCIAL DATA AND OTHER DATA

The following table presents our summary consolidated financial data. The summary consolidated statements of profit or loss and consolidated statements of comprehensive income for the years ended December 31, 2020 and 2021 and the summary consolidated statements of financial position as of December 31, 2020 and 2021 have been derived from the audited consolidated financial statements of the Group for the year ended December 31, 2021, and the summary consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended December 31, 2019 and the summary consolidated statement of financial position as of December 31, 2019 have been derived from the audited consolidated financial statements of the Group for the year ended December 31, 2020.

Our financial results for any past period are not, and should not be taken as, an indication of our performance, financial position or results of operations in future periods. Our financial statements have been prepared and presented in accordance with the HKFRS. The summary financial data below should be read in conjunction with the Audited Financial Statements.

### Summary Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income

	For the year ended December 31,		
	2019	2020	2021
		<i>(RMB in thousands)</i>	
		<i>(audited)</i>	
<b>Revenue</b>	<b>3,605,606</b>	<b>5,153,233</b>	<b>5,309,290</b>
Cost of sales	(1,960,659)	(3,368,907)	(3,642,404)
<b>Gross Profit</b>	<b>1,644,947</b>	<b>1,784,326</b>	<b>1,666,886</b>
Other income and gains	27,403	142,329	124,112
Selling and distribution expenses	(83,818)	(157,595)	(122,965)
Administrative expenses	(263,395)	(510,150)	(472,932)
Fair value gains on investment properties, net	11,027	41,559	170,757
Other expenses	(12,466)	(31,889)	(129,927)
Finance costs	(82,421)	(135,554)	(150,801)
Share of profit/(loss) of joint ventures, net	(14,468)	196,103	20,299
Share of loss of an associate	-	-	(3,265)
<b>Profit before tax</b>	<b>1,226,809</b>	<b>1,329,129</b>	<b>1,102,164</b>
Income tax expense	(606,798)	(588,655)	(551,768)
<b>Profit for the year</b>	<b>620,011</b>	<b>740,474</b>	<b>550,396</b>
Attributable to:			
Owners of the Parent	615,390	516,356	256,140
Non-controlling interests	4,621	224,118	294,256
<b>Profit for the year</b>	<b>620,011</b>	<b>740,474</b>	<b>550,396</b>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of the Company	-	(82,363)	(19,326)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of the subsidiaries	(1,595)	51,812	42,932
Other comprehensive income/(loss) for the year	(1,595)	(30,551)	23,606
<b>Total comprehensive income for the year</b>	<b>618,416</b>	<b>709,923</b>	<b>574,002</b>
Attributable to:			
Owners of the Parent	613,795	485,805	279,746
Non-controlling interests	4,621	224,118	294,256
	<b>618,416</b>	<b>709,923</b>	<b>574,002</b>

## Summary Consolidated Statements of Financial Position

	As of December 31,		
	2019	2020 <i>(RMB in thousands)</i> <i>(audited)</i>	2021
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17,607	65,330	69,071
Right-of-use assets	10,134	6,684	2,010
Investment properties	1,002,900	1,433,900	1,786,900
Intangible assets	5,460	7,618	6,321
Investment in joint ventures	28,958	225,061	290,660
Investment in an associate	-	-	2,235
Land held for development for sale	286,975	496,728	597,814
Receivable from a joint venture	492,149	-	-
Deferred tax assets	154,076	165,802	168,962
<b>Total non-current assets</b>	<b>1,998,259</b>	<b>2,401,123</b>	<b>2,923,973</b>
<b>CURRENT ASSETS</b>			
Land held for development for sale	757,842	1,161,151	1,113,137
Properties under development	2,875,681	2,944,941	3,388,502
Completed properties held for sale	1,075,239	1,153,279	872,569
Trade receivables	112,806	56,760	37,497
Prepayments, other receivables and other assets	1,046,327	2,181,815	3,751,039
Receivable from a joint venture	-	258,121	160,256
Financial assets at fair value through profit or loss	-	494,838	232,819
Prepaid land appreciation tax	22,336	3,241	-
Cash and bank balances	728,768	2,083,723	2,702,420
<b>Total current assets</b>	<b>6,618,999</b>	<b>10,337,869</b>	<b>12,258,239</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	1,582,636	1,738,948	1,678,076
Other payables, deposits received and accruals	313,602	719,989	530,527
Lease liabilities	5,709	5,163	1,933
Contract liabilities	1,724,907	2,223,304	2,676,239
Amounts due to directors	62,442	-	-
Interest-bearing bank and other borrowings	1,277,150	823,100	1,452,479
Senior notes	-	871,332	915,930
Provision for corporate income tax	564,036	644,145	726,907
Provision for land appreciation tax	595,145	697,045	637,404
<b>Total current liabilities</b>	<b>6,125,627</b>	<b>7,723,026</b>	<b>8,619,495</b>
<b>NET CURRENT ASSETS</b>	<b>493,372</b>	<b>2,614,843</b>	<b>3,638,744</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>2,491,631</b>	<b>5,015,966</b>	<b>6,562,717</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	781,860	1,073,040	2,143,762
Lease liabilities	4,663	2,134	79
Deferred tax liabilities	82,484	111,156	167,501
<b>Total non-current liabilities</b>	<b>869,007</b>	<b>1,186,330</b>	<b>2,311,342</b>
<b>NET ASSETS</b>	<b>1,622,624</b>	<b>3,829,636</b>	<b>4,251,375</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Parent</b>			
Issued capital	-*	47,972	47,972
Reserves	1,585,879	3,196,838	3,273,692
	1,585,879	3,244,810	3,321,664
<b>Non-controlling Interests</b>	<b>36,745</b>	<b>584,826</b>	<b>929,711</b>
<b>TOTAL EQUITY</b>	<b>1,622,624</b>	<b>3,829,636</b>	<b>4,251,375</b>

\* The amount is less than RMB500.

## RISK FACTORS

*Before deciding whether to participate in the Exchange Offer, you should carefully consider the risks and uncertainties described below and other information contained in this Exchange Offer Memorandum before making a decision with respect to the Old Notes. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Old Notes and/or the New Notes, and you could lose all or part of your investment.*

### **Risks Relating to the Exchange Offer**

***The Exchange Consideration to be received in the Exchange Offer does not reflect any market valuation of the Old Notes or the New Notes.***

We have made no determination that the consideration to be received in the Exchange Offer represents a fair valuation of the Old Notes or the New Notes. The Exchange Consideration should not be construed as an assurance or an indication of, and may not accurately reflect, the current or future market value of the Old Notes or the New Notes. We have not obtained a fairness opinion from any financial advisor about the fairness to us or to you of the consideration to be received by the Holders. Accordingly, none of the Company, our board of directors, the Sole Dealer Advisor, the Trustees, the Paying and Transfer Agent, the Registrar, the Information and Exchange Agent or any other person is making any recommendation as to whether you should tender any Old Notes for exchange in the Exchange Offer.

***Failure to obtain tenders of at least the Minimum Acceptance Amount could increase our default risk under the Old Notes.***

If at least the Minimum Acceptance Amount is not tendered, or if any of the other conditions as described in "*Description of the Exchange Offer — Conditions to the Exchange Offer*" are not satisfied or waived, we may not be able to fully redeem the Old Notes upon maturity on July 21, 2022. Furthermore, certain Holders of the Old Notes may be reluctant to accept our Exchange Offer because we carved default of the Old Notes and any other indebtedness as a result of the default of the Old Notes out from the Events of Default prescribed under the New Notes. See the section headed "*Description of the New Notes*" for details. We may therefore face liquidity pressure and may be subject to increased default risk under the Old Notes Indenture (as defined in "*Description of Material Indebtedness and Other Obligations*") and our other outstanding indebtedness if we failed to complete the Exchange Offer due to any reason aforementioned.

***The events of default provision under the New Notes will carve out any cross-default events arising directly or indirectly from any defaults or events of default under the Old Notes.***

As the purpose of the Exchange Offer is to extend our debt maturity profile to improve our debt structure, the events of default provision under the New Notes carves out any cross-default events arising directly or indirectly from any defaults or events of default under the Old Notes. Holders of the New Notes may face more uncertainty and potentially higher credit risk in this regard if any default occurs with respect to the Old Notes, because the Old Notes and certain of our other indebtedness could become immediately due and payable upon such defaults, and we would have to settle or repay such indebtedness, but payment of the New Notes would not be accelerated and holders of the New Notes would continue to hold the New Notes without recourse to any such cross-default.

***Your decision to tender any Old Notes for New Notes may expose you to the risk of non-payment for a longer period of time.***

The Old Notes mature on July 21, 2022. The New Notes will mature in 2023. If you tender Old Notes for New Notes with a later maturity date and, following the maturity date of your Old Notes but prior to the maturity date of the New Notes, we were to become subject to bankruptcy or similar proceedings, the Holders of such earlier maturing Old Notes who did not exchange their Old Notes for New Notes could be paid in full prior to such event and there would exist a risk that Holders who exchanged their Old Notes for later-maturing New Notes would not be paid in full, if at all. Your decision to tender your Old Notes

for later-maturing New Notes should be made with the understanding that the lengthened maturity of such New Notes exposes you to the risk of non-payment for a longer period of time.

***Eligible Holders may not withdraw their instructions except as required by applicable law.***

Instructions in connection with the Exchange Offer are irrevocable. Eligible Holders who tender their Old Notes may not withdraw their instructions to exchange for New Notes except in limited circumstances as required by applicable law as described in this Exchange Offer Memorandum. Withdrawal rights will only be provided as, and if, required by applicable law. As a result, there may be an unusually long time during which Eligible Holders may be unable to effect transfers of their Old Notes tendered for exchange.

***We cannot assure you that the Old Notes will continue to benefit from a liquid trading market.***

Following the consummation of the Exchange Offer, the trading market for Old Notes that are not exchanged could become more limited than the existing trading market for the Old Notes and could cease to exist altogether due to the reduction in the amount of the Old Notes outstanding upon consummation of the Exchange Offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of the Old Notes.

***The consummation of the Exchange Offer may be cancelled, delayed or amended.***

We are not obligated to complete the Exchange Offer under certain circumstances and unless and until certain conditions are satisfied, as described more fully below in "*Description of the Exchange Offer — Conditions to the Exchange Offer.*"

Even if the Exchange Offer is completed, it may not be completed on the timetable described in this Exchange Offer Memorandum. Accordingly, participating Eligible Holders may have to wait longer than expected to receive their New Notes (or to have their Old Notes returned to them in the event that the Company terminates the Exchange Offer), during which time those Eligible Holders will not be able to effect transfers of their Old Notes tendered in the Exchange Offer.

Notwithstanding anything to the contrary contained in this Exchange Offer Memorandum or in any other document related to the Exchange Offer, we expressly reserve the right, in our sole discretion and regardless of whether any of the conditions described under "*Description of the Exchange Offer — Conditions to the Exchange Offer*" have been satisfied, subject to applicable law, at any time to (i) terminate the Exchange Offer, in whole or in part, (ii) waive any of the conditions described herein, in whole or in part, (iii) extend the Exchange Expiration Deadline, (iv) amend the terms of the Exchange Offer or (v) modify the form or amount of the Exchange Consideration to be paid pursuant to this Exchange Offer.

***We may repurchase any Old Notes that are not tendered in the Exchange Offer on terms that are more favorable to the Holders than the terms of the Exchange Offer.***

We may, to the extent permitted by applicable law, purchase Old Notes in the open market, in privately negotiated transactions, through a subsequent tender or exchange offer or otherwise. These other purchases may be made on the same terms or on terms that are more or less favorable to Eligible Holders than the terms of the Exchange Offer. We also reserve the right to repurchase any Old Notes not tendered. If we decide to repurchase any remaining Old Notes on terms that are more favorable than the terms of the Exchange Offer, those Eligible Holders who did not participate in the Exchange Offer could be better off by accepting our repurchase offer than those that participated in the Exchange Offer.

***You are responsible for complying with the procedures of the Exchange Offer. You may not receive New Notes in the Exchange Offer if the procedures for the Exchange Offer are not followed.***

Eligible Holders are responsible for complying with all of the procedures to exchange the Old Notes. We will issue New Notes in exchange for your Old Notes only if you tender the applicable Old Notes and deliver a properly submitted electronic instruction through the relevant intermediary, Euroclear or Clearstream, as applicable. You should allow sufficient time to ensure timely delivery of the electronic instruction and the necessary documents. None of the Company, the Sole Dealer Advisor, the Trustees, the Paying and Transfer Agent, the Registrar or the Information and Exchange Agent assume any responsibility for informing the Holders of irregularities in any electronic instruction to the relevant intermediary, Euroclear or Clearstream, as applicable, or with respect to the acceptance of offers to exchange. Prior to

the Settlement Date, no assurance can be given that the Exchange Offer will be completed. This may depend upon the satisfaction or waiver of the conditions of the Exchange Offer. Upon giving a blocking instruction relating to the securities account where Old Notes are held in a relevant Clearing System, Holders should be aware that they may not transfer title to such Old Notes to other persons and may suffer losses if the market price of the Old Notes changes and the Exchange Offer, in respect of that Holder or generally, is not completed for whatever reason.

The Holders holding the Old Notes in the relevant intermediary, Euroclear or Clearstream, should note the particular practices and policies of the relevant intermediary, Euroclear or Clearstream, as applicable, regarding their communications deadlines, which will determine the latest time at which tenders of the Old Notes for exchange may be delivered to Euroclear or Clearstream, as applicable, (which may be earlier than the deadlines set forth in this Exchange Offer Memorandum) so that they are received by the Information and Exchange Agent in respect of the Exchange Offer within the deadlines set forth in this Exchange Offer Memorandum. If you are the beneficial owner of the Old Notes that are registered in the name of your broker, dealer, commercial bank, trust company or other nominee or custodian, and you wish to tender in the Exchange Offer, you should promptly contact the person in whose name your Old Notes are registered and instruct that person to tender on your behalf and to properly follow the procedures set forth in this Exchange Offer Memorandum. Additionally, it is important to note that all references in this Exchange Offer Memorandum to times are to London times, unless we state otherwise.

***Your Old Notes will be blocked from the date of instruction until the earlier of (i) consummation and (ii) termination.***

Participating Eligible Holders should be mindful that when submitting the instruction they are authorizing the relevant intermediary or Clearing System to block their position in the Old Notes until the earlier of (i) the Settlement Date, or (ii) termination or withdrawal of the Exchange Offer.

***Holders are responsible for compliance with the exchange and transfer restrictions.***

Each Holder is referred to the restrictions herein relating to the Exchange Offer and any transfer of the New Notes. Non-compliance with these restrictions could result in, among other things, a rejection to exchange, an unwinding of trades and/or heavy penalties.

***The Company did not perform any tax analysis regarding the tax consequences of the Exchange Offer to investors.***

This Exchange Offer Memorandum does not discuss the tax consequences to Holders and beneficial owners of the Exchange Offer. Holders and beneficial owners are urged to consult their own independent financial or other professional advisors regarding possible tax consequences of the Exchange Offer (including the exchange of Old Notes for New Notes) to them under the laws of any relevant jurisdiction. Holders and beneficial owners are liable for their own taxes and have no recourse to the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (as defined in "Description of the New Notes") (if any), the Sole Dealer Advisor, the Information and Exchange Agent, the Trustees, the Paying and Transfer Agent and the Registrar under the Old Notes and the New Notes with respect to taxes arising in connection with the Exchange Offer. For certain tax consequences of the ownership and disposition of the New Notes, see the section entitled "Taxation".

***The Company has no obligation to accept tenders of Old Notes for exchange.***

The Company is not under any obligation to accept any tender of Old Notes for exchange pursuant to the Exchange Offer. Tenders of Old Notes for exchange may be rejected in the sole discretion of the Company for any reason, and the Company is not under any obligation to Holders to furnish any reason or justification for refusing to accept a tender of Old Notes for exchange. For example, tenders of Old Notes for exchange may be rejected if the Exchange Offer is terminated or if the Exchange Offer does not comply with the relevant requirements of a particular jurisdiction or for any other reason.

***The Exchange Offer may not be completed and may be amended or terminated.***

Until the Company announces whether it has decided to accept valid tenders for exchange of Old Notes pursuant to the Exchange Offer, no assurance can be given that the Exchange Offer will be completed. In addition, subject to applicable laws and as provided in this Exchange Offer Memorandum, the Company may, in its sole discretion, extend, re-open, amend and/or terminate the Exchange Offer at any time before



such announcement and may, in its sole discretion, waive any condition of the Exchange Offer either before or after such announcement.

***Tenders of Old Notes by Sanctions Restricted Persons will not be accepted.***

A Holder or a beneficial owner of Old Notes who is, or who is believed by the Company to be, a Sanctions Restricted Person (as defined herein), may not participate in the Exchange Offer. No steps taken by a Sanctions Restricted Person to tender any or all of its Old Notes for exchange pursuant to the Exchange Offer will be accepted by the Company and such Sanctions Restricted Person will not be eligible to receive the Exchange Consideration in any circumstances.

**RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

**Our business and prospects depend on the performance of the PRC property market and may be adversely affected by any market fluctuations.**

We develop and sell properties in the Greater Bay Area, the Yangtze River Delta Urban Cluster, the Yangtze Mid-Stream Urban Cluster and the Chengdu-Chongqing Urban Cluster. The property market in these regions may be affected by local, regional, national or global factors, including changes in the PRC's social, political, economic and legal environment, speculative activities in the local markets, changes in the PRC Government's policies, slowdowns in economic growth, the lack of a mature and active secondary market for residential and commercial properties and the rising concerns over the sustainability of real estate growth in the PRC, all of which are beyond our control. The level of demand for properties may be affected by the funds available and the general level of investors' confidence and consumer spending. As a result, there may be an excess in supply of properties and idle housing inventory. Any excess in supply of properties or potential decrease in demand for properties, particularly in the cities in which we operate or intend to operate in, could have a material and adverse impact on our cash flows, results of operations and overall financial condition. The outbreak of the COVID-19 pandemic in the PRC has affected our business. Since 2020, several cities in China where we have land bank and business operations have been placed under extended lockdown from time to time and faced travel and other restrictions in efforts to curb the spread of COVID-19, which have caused delays to some of our construction projects and reduced sales opportunities. For more details about the impact of COVID-19, please refer to the subsection headed "*Risks Relating to Our Business and Industry — The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.*"

Further, since September 2021, there has been negative news relating to defaults by certain Chinese property companies on their indebtedness. This has had a negative impact on, and resulted in increased volatility in, the property sector in the PRC. Such recent defaults may make it difficult for other Chinese property developers and potential property purchasers to obtain onshore and offshore financing, and result in decreased market confidence and demand for real estate and, on the whole, an increased market volatility in the PRC. There is no guarantee that such situation will improve in the short term, and the PRC property market may not continue to grow and, may even experience contraction. In addition, there may be more Chinese property developers which are unable to pay their debts when due and default on their indebtedness, and we cannot assure you that we will be able to refinance our existing indebtedness. Any adverse development in the condition of the property market in the PRC, or in other places where we conduct our operations, could have a material adverse effect on our business, financial condition and results of operations.

**Our expansion into new geographical markets presents certain risks and uncertainties.**

In order to achieve and maintain sustainable growth, we continue to seek development opportunities in regions with potential for growth and where we do not have any existing operations. We have recently expanded our business to Fuyang, Anhui Province and Chengdu, Sichuan Province, which are all areas in which we had little or no prior experience. We may not always be able to identify geographic locations with sufficient growth potential to expand our market reach or operate our new property projects in. For the geographical locations we select, we may face intense competition from other property developers with similar expansion plans. Further, the property markets in our target cities may be different from one another in terms of the level of local economic and industrial development, local government policies and development phases of local businesses. We may also experience different demands for our properties, types of properties to be developed and development cycles. We may have limited ability to effectively leverage our established brands and reputation in new markets in the same way as our existing

markets. Additionally, the administrative, regulatory and tax environment in our target cities may be different and we may face additional expenses or difficulties in complying with new procedures and adapting to new environments. As we do not have the same level of familiarity with the local government, businesses and consumers as compared to the other local and more experienced property developers in the new geographical markets, we may be in a disadvantaged position. If our expansion plans are not successful and we are not able to recoup our investments, this may have an adverse effect on our financial position, business and results of operations.

**Our involvement in urban renewal developments may require more costs and resources and the benefits from such developments may not become apparent in the near future.**

Urban renewal is a reconstruction strategy implemented in provinces such as Guangdong Province which focuses on the transformation of old towns, factories and villages. In recent years, a number of cities have issued their own policies and plans regarding urban renewal. Urban renewal developments usually involve longer development cycles, require greater capital investments, more complex planning, and more negotiations with the local government and local existing residents. For such reasons, our involvement in urban renewal developments may increase our costs as more time and resources may be required for us to complete the planning and obtain the necessary approvals, and such increased costs may adversely affect our business operation and financial condition.

Further, as the majority of our Group's existing properties held for sale and properties under development are non-urban renewal projects, our cost structure and business model, project schedule and timeline and project risk profile will not materially change in the short to medium term, despite any additional costs and resources committed for urban renewal projects. The impact of our investments in urban renewal projects will not be known in the short term, and any benefits from urban renewal developments will not be reflected in our financial condition in the short term.

**We have incurred significant levels of indebtedness, may incur additional indebtedness in the future, and we may not be able to generate sufficient cash to satisfy our existing and future debt obligations.**

We currently have, and will continue to require, a substantial amount of indebtedness to support our business. As at December 31, 2019, we had a net gearing ratio of 83%. Although our net gearing ratio decreased to 18% as at December 31, 2020, it rebounded to 43% as at December 31, 2021. As of December 31, 2019, 2020 and 2021, our bank and other borrowings were approximately RMB2,059.0 million, RMB1,896.1 million and RMB3,596.2 million, respectively, and our lease liabilities amounted to RMB10.4 million, RMB7.3 million and RMB2.0 million, respectively.

We may not be able to generate cash from our land reserves in the short term and may not have sufficient internal resources to meet our expected funding needs if we are unable to obtain other forms of financing.

Our indebtedness and gearing could have significant implications, including but not limited to: (i) increasing our vulnerability to general adverse economic and industry conditions; (ii) requiring us to dedicate a substantial portion of our cash flow from operations to financing costs and repaying loans, thereby reducing the availability of cash to be used for business expansion, working capital and other general corporate purposes; (iii) limiting our flexibility in planning for or adapting to changes in our business and the industry which we operate in; (iv) limiting our ability to borrow additional funds; and (v) increasing our cost of additional financing.

In addition, we are subject to certain restrictive covenants under the terms of our borrowings, which may restrict or otherwise adversely affect our operations. These covenants may restrict, among other things, our ability to incur additional debt or make guarantees, incur liens, pay dividends or distributions on our or our subsidiaries' capital stock, repurchase our or our subsidiaries' capital stock, prepay certain indebtedness, repay shareholders' loans, reduce our registered capital, sell, transfer, lease or otherwise dispose of property or assets, make investments and undertake certain transactions such as mergers, joint ventures, restructuring, capital reduction, transfer of material assets, liquidation, consolidation or other change-in-control transactions without the written consent of the lender. In addition, some of the loans may have restrictive covenants linked to our financial performance, such as maintaining a prescribed maximum debt-asset ratio or minimum profitability levels during the term of the loans. Pursuant to the detailed agreements, financial institutions may have veto rights over some of our above corporate actions, which will further limit our flexibility of operation and ability to raise additional funding. Breaches of such restrictive covenants may

trigger the banks or other financial institutions to exercise their rights to accelerate the loan/financing agreement, which may have a material adverse effect on our results of operation, business and financial condition.

Our loan and financing agreements with various banks and financial institutions in the PRC also contain cross-default clauses. In the event of a cross-default, the banks or other financial institutions are entitled to accelerate repayment of any or all of our borrowings and to enforce any or all of the security for such of our borrowings.

Moreover, our trust and other financings are generally secured by a pledge or transfer of our equity interests in the relevant project subsidiaries, and/or a lien of land use rights or development projects. If we default and cannot repay all of the secured indebtedness, we may lose part or all of our equity interests in these project subsidiaries, our share of the asset value of the relevant property projects, land use rights or our development projects.

In the future, we expect to incur additional indebtedness to complete our projects under development and projects held for future development and we may also utilize proceeds from additional debt financing to acquire land resources, which could intensify the risks we face as a result of our indebtedness.

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, among other things, prevailing economic conditions, PRC governmental regulation, the demand for properties in the regions where we operate and other factors, many of which are beyond our control. We may not generate sufficient cash flow to pay our anticipated operating expenses and to service our debts, in which case we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, disposing of our assets, restructuring or refinancing our indebtedness or seeking equity capital. If we are unable to fulfill our repayment obligations under our borrowings or are otherwise unable to comply with the restrictions and covenants in our current or future bank loans, corporate bonds and other agreements, there could be a default under the terms of these agreements. In the event of default under these agreements, the lenders may accelerate the repayment of outstanding debt or, with respect to secured borrowings, enforce the security interest securing the loan. Any cross-default and acceleration clauses may also be triggered as a result. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay all of our indebtedness, or that we would be able to obtain alternative financing on terms that are favorable or acceptable to us. As a result, our ability to meet our obligations under the New Notes may be materially and adversely affected.

**We may not be able to recoup committed resources if our land acquisitions fail.**

We primarily acquire land for our developments through third parties and through urban renewal developments, but we may also acquire land through other channels, including but not limited to auctions or public tendering processes.

In the past, certain acquisition or cooperation agreements have been terminated (or lapsed) through mutual agreement and/or a failure to meet condition(s) prescribed under the relevant contracts. Land acquisitions could fail for various reasons, a number of which we have no control over. These include but are not limited to: (i) our failure to obtain the relevant government approvals; (ii) changes in land ownership (and in the case of urban renewal developments, changes in local sentiments); (iii) unexpected urban or infrastructure developments in the vicinity (for example, the compulsory acquisition of land by the government for the construction of high-speed rail tracks); (iv) changes in relevant laws and policies; and (v) breach of the relevant acquisition contracts by our counterparties (including existing land owners). In the event of an unsuccessful land acquisition, there is no guarantee that we will be able to proceed with our planned development, or that we would be able to recoup the resources committed, including any sums prepaid to original land owners under relevant acquisition agreements, even if we are entitled to recover such sums under the relevant agreements when the land acquisition has failed.

**We may acquire land parcels in the future which may have title or other defects and which we may not be able to remedy.**

In the past, we have acquired land parcels and interests in property (through acquisition of relevant holding companies or otherwise) with title defects or non-compliance with (i) the relevant laws and

regulations or (ii) the relevant land grant contracts, such as delays in commencement and/or completion of construction.

In the future, we will continue to explore opportunities to acquire land parcels, and we may acquire land parcels with (x) title or other defects or (y) non-compliance with (i) and (ii) mentioned above, with such defects/non-compliance being considered immaterial and capable of being remedied by our Group at the time of acquisition. As a result, we may be subject to losses and/or penalties as a result of or in relation to such defects/non-compliances. We may also not be able to develop the relevant projects (including any plans for urban renewal) as we have anticipated or at all, and this may have an adverse effect on our business operations and/or financial conditions.

**We may not be able to acquire land reserves in desirable locations that are suitable for our development at commercially acceptable prices in the future, which may affect our business, financial conditions, results of operation and prospects.**

We derive our revenue mainly from the sales of properties. To ensure a steady stream of developed properties available for sale and continuous growth in the long term, we need to replenish and increase our land reserves that are suitable for development. Our ability to identify and acquire suitable land may be affected by a number of factors, some of which are beyond our control, for example, the overall local economic conditions, the availability of land reserves provided by the government and secondary market, our effectiveness in estimating the profits of the acquired land reserves and the competition for such land reserves. As the supply of land is controlled by the PRC Government, the policies in this regard have a direct impact on our ability to acquire land use rights for development and the cost of such land acquisitions. In recent years, the PRC Government has implemented various measures to regulate the means by which property developers obtain land for property development, which increases the competition for land in the PRC. Furthermore, the rapid development in major cities in recent decades has resulted in a limited supply of undeveloped land in desirable locations and at reasonable acquisition costs. As a result, our costs of acquiring land use rights may rise in the future and our business, financial condition, results of operations and prospects may be materially and adversely affected if we are unable to acquire land reserves that are suitable for development at commercially acceptable prices.

**Our business and operations, including our urban renewal projects, are highly subject to government policies and regulations. We are susceptible to adverse changes in policies in the PRC real estate market and in regions where we operate.**

The real estate market in the PRC is highly subject to government policies and regulations. A number of regulations and policies have been implemented by the PRC Government to control the growth of the property market, including those relating to idle land, house loans to buyers, financing to property developers, etc. Since 2016, the local governments in various cities in the PRC have announced a series of measures designed to stabilize the growth of the property market to a more sustainable level, such as limiting the number of residential properties which households with local resident registration are allowed to purchase; raising the down-payment ratio requirement (or even disallowing mortgages) depending on the number of residential properties owned by the buyer; limiting the purchase of residential properties by households without local resident registration, and in some cases requiring certain eligibility criteria to be fulfilled (such as having paid income tax or made social security contributions up to a requisite level); implementing stricter pre-sale restrictions (such as prohibiting developers from selling the properties before obtaining a pre-sale permit, and ensuring developers closely follow the rules during the pre-sale process); and imposing tighter requirements for land bidding deposits.

In addition, laws governing urban renewal processes have undergone changes in recent years, in particular, the introduction of the "Opinion in relation to the Deepened Reform to Fully Promote Urban Renewal and Increasing Quality of City" (《關於深化改革全力推進城市更新提升城市品質的意見》東府 [2018] 102 號) (the "**Opinion**") removed the previous Cooperation Scenario (村企合作模式) for urban renewal, which our Group is engaged in with our current urban renewal projects. While the relevant opinion allows certain existing Cooperation Scenario urban renewal projects to continue, should we fail to complete our urban renewal projects initiated under the previous Cooperation Scenario, or if we are required to restart any of the urban renewal processes for any reason, we might not be able to restart the urban renewal process under the same laws. For example, a minimum site area requirement of 100,000 sq.m. (equivalent of 150 mu.) has been imposed for urban renewal under the current law, meaning that some of our current urban renewal projects which do not meet this new requirement may not be viable in the future if they are required to restart. Resettlement and other fees in our urban renewal projects which were

developed in accordance with the previous Cooperation Scenario may not be recouped if such projects fail to complete.

The above-mentioned policies and restrictive measures could adversely impact our operations and business. It is uncertain whether the PRC Government will relax or enhance the existing restrictive measures or will introduce new restrictive measures in the future. The existing and any future restrictive measures may limit our access to capital, reduce market demand for our products and increase our finance costs.

**Our land resettlement operations involving resettlement of existing residents may be delayed or may not be completed as planned.**

We engage in urban renewal developments involving resettlement of existing residents, and demolition and clearing of existing structures on the relevant land. Generally, the local governmental authority is responsible for entering into resettlement agreements with affected existing residents and clearing the relevant land to prepare it for subsequent public tender, listing-for-sale or auction; and we are often required to make a prepayment to the local government authorities before commencement of the resettlement operations and may be required to compensate the affected existing residents in accordance with applicable PRC laws and regulations.

As of the date of this Exchange Offer Memorandum, we are involved in ongoing land resettlement operations. There is no assurance that we can successfully obtain land use rights at any subsequent public tender, listing-for-sale or auction of the land and there is also no assurance that our prepayments to the local government will be returned to us in a timely manner if we fail to obtain land use rights at the subsequent public tender, listing-for-sale and auction of the relevant land. If we cannot acquire land use rights for future property developments, there may be a material adverse effect on our business, results of operations and financial condition. Further, any disputes with affected existing residents as to the related compensation or refusal of dissenting residents to relocate may increase our resettlement costs, delay or obstruct the resettlement process and the subsequent land development process, which may in turn have a material adverse effect on our business, results of operations and financial condition. For more details about the risks inherent in urban renewal projects, please refer to the subsections headed "*Risks Relating to Our Business and Industry — Our involvement in urban renewal developments may require more costs and resources, and the benefits from such developments may not become apparent in the near future.*"

**Property development involves uncertainties, and we may incur impairment losses of our assets (including our land reserves, properties under development and completed properties held for sale) if our property developments or our property becomes less economically viable.**

Property development involves uncertainties. We capitalize the expenditure relating to the development of our projects as assets before their commercial viability is determined. If we assess that the cost of development exceeds that of the amount recoverable from continuing development until completion, and decide to abandon the potential project, we will write off the total expenditure of the relevant project and recognize an impairment loss in our financial statements. Similarly, we will recognize an impairment loss if the carrying amount of our assets, including our land reserves, property under development, or completed properties held for sale, is less than their net realizable value.

There is no guarantee that we will not recognize impairment losses as described above in the future and these could have a material adverse effect on our business, financial condition and results of operations.

**We are exposed to the credit risk of our joint venture.**

As of December 31, 2019, 2020 and 2021, we had receivables from Hunan Development Gaoxin Properties Company Limited ("**Hunan Development**"), a joint venture of our Group, amounting to RMB492.1 million, RMB258.1 million and RMB160.3 million, respectively. Given that the receivables are unsecured, should the creditworthiness of Hunan Development deteriorate or should it fail to settle the receivables in full in a timely manner for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected.

In addition, there is no assurance that we will be able to fully recover the receivables from Hunan Development or that it will settle the receivables in a timely manner or at all. In the event that the settlement

is not made in a timely manner, the financial position, profitability and cash flow of our Group may be adversely affected.

**We had negative operating cash flows for the years ended December 31, 2020 and 2021, and negative investing cash flows for the years ended December 31, 2019, 2020 and 2021.**

While we had positive operating cash flow of RMB806.1 million for the year ended December 31, 2019, we had negative operating cash flows of RMB64.3 million and RMB1,392.3 million for the years ended December 31, 2020 and 2021, respectively. We also had negative investing cash flows of RMB370.6 million, RMB418.1 million and RMB550.5 million for the years ended December 31, 2019, 2020 and 2021, respectively. We cannot guarantee that we will be able to record positive operating or investing cash flows in future as we continue to grow our business. Accordingly, our Group may require substantial additional capital in order to fund its future development activities. There is no assurance that such capital resources will be obtained when required. Any failure to obtain additional financing or failure to achieve profitability and positive operating and investing cash flows will have a material adverse effect on our financial condition and results of operations.

**We rely on third parties in certain key aspects of our business and if any of such third parties fails to deliver quality services or products in a timely manner, or if our relationships with any of them deteriorate, our reputation or business operations may be adversely affected.**

We engage third parties to carry out various services relating to our property development projects, such as project design, construction of foundations and buildings, landscaping, equipment and utility installation and interior decoration. We generally select third-party contractors through competitive bids having taken into account factors including their demonstrated competence, market reputation and our prior business relationship with them. Our contractors may fail to provide satisfactory services at the level of quality or within the time required by us. Additionally, 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, or if any of the contractors is in breach of its contractual obligations, we may need to replace such contractor or take other actions to remedy the situation, which could materially and adversely affect our costs and the construction progress of our property projects.

**Fluctuations in the labor costs and the price of construction materials could adversely affect our business and financial performance.**

We engage third-party contractors for the construction of our property projects, who are normally responsible for sourcing and purchasing the construction materials. The costs of labor and construction materials, such as steel and cement, are all subject to volatility. Our contracts with some of the contractors contain certain price adjustment mechanisms which require us to bear additional costs if they exceed the original contract price by a certain percentage. Furthermore, the increases in costs of construction materials and labor will likely prompt our contractors to increase their fee quotes of our future property developments. Given that we often pre-sell our properties prior to their completion, it is unlikely that we can pass on the increased costs to our customers if there are any substantial increases in labor costs or the price of construction materials during construction. As a result of the inability to pass on the increased costs to our customers, our business, financial condition and results of operations may be adversely affected. For more details about our reliance on and relationships with third parties in certain key aspects of our business, please refer to the subsection headed "*Risks Relating to Our Business and Industry — We rely on third parties in certain key aspects of our business and if any of such third parties fails to deliver quality service or products in a timely manner, or if our relationships with any of them deteriorate, our reputation or business operations may be adversely affected.*"

**We generate revenue principally from the sale of properties, and our ability to realize revenue from a property project may fluctuate, as it will depend on our property development schedule and the timing of completion of the property projects.**

We derive most of our revenue from the sale of properties. Our results of operations may fluctuate due to factors such as our property development schedule and the timing of completion of the property projects.

Generally, we recognize our revenue from the sale of a property upon the completion of property construction and the issuance of a notice of delivery of property to our customers, at which point the significant risks and rewards of ownership are transferred to our customers. Due to capital requirements for land acquisition and construction, limited land supply and the time required for completing a property project, we can undertake only a limited number of property developments at a time. Further, since the timing of the delivery of our properties varies according to our construction timetable, our revenue and results of operations may vary significantly from period to period depending on the number of properties delivered during a specific period. As a result, our period-to-period comparisons of results of operations and cash flow positions may not be indicative of our future results of operations and may not be meaningful measures of our financial performance for a specific period as they would be for a company with a greater proportion of steady recurring revenues.

**Our property pre-sale agreements may be subject to termination and variation under certain circumstances and are not a guarantee of our current or future recognized sales.**

We have included information relating to our property pre-sale agreements and the related contract liabilities in this Exchange Offer Memorandum. Contract liabilities refer to the aggregate amount set out in the property pre-sale agreements entered into between us and our customers during a given year or period, and the relevant information on contract liabilities is compiled based on our internal records. The amount of contract liabilities differs from revenue in that the latter is an accounting concept, the amount of which is recognized for a specific year or period according to applicable accounting standards and rules. As the relevant property pre-sale agreements may be subject to termination or variation under certain circumstances pursuant to their contractual terms or otherwise, or subject to default by the relevant buyers, they are not a guarantee of current or future recognized revenue. Information on contract liabilities included in this Exchange Offer Memorandum should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contract liabilities may be materially different from contract liabilities included in this Exchange Offer Memorandum. Accordingly, information on property pre-sale agreements and contract liabilities contained in this Exchange Offer Memorandum should not be unduly relied upon as a measure or an indication of our current or future operating performance.

**We may not be able to complete or deliver our property projects according to schedule and this may adversely affect our business and financial condition.**

Whether our property projects can be completed and delivered within scheduled times and within the planned budgets depends on various factors including the following:

- (i) the performance and efficiency of our third-party contractors;
- (ii) changes in market conditions and economic downturns and decreases in business and consumer sentiments in general;
- (iii) delays in obtaining the necessary licenses, permits or approvals from government agencies or authorities;
- (iv) changes in government rules and regulations, government planning and the related practices and policies, including reclamation of land for public works or facilities;
- (v) relocation of existing residents and/or demolition of existing constructions;
- (vi) disputes with our joint venture partners;
- (vii) increases in the prices of construction materials;
- (viii) shortages of materials, equipment, contractors and skilled labor;
- (ix) latent soil or subsurface conditions and latent environmental damage requiring remediation;
- (x) unforeseen engineering, design, environmental or geographic problems;
- (xi) labor disputes and strikes;
- (xii) construction accidents;

- (xiii) natural disasters or adverse weather conditions;
- (xiv) errors in judgment on the selection and acquisition of potential sites; and
- (xv) other unforeseen problems or circumstances.

Construction delays, or failure to complete the construction of property projects as a result of the above factors may adversely affect our business and financial condition and may also cause reputational damage. If a property project is not completed or delivered in accordance with its schedule, our customers, as the buyers of pre-sold properties, may be entitled to compensation for late delivery and/or may be able to terminate the pre-sale agreements and claim damages. Please refer to the subsection headed "*— Risks Relating to Our Business and Industry — We face risks related to the pre-sale of properties from any potential limitation and restriction imposed by the PRC Government.*" in this section for further details. There is no assurance that we will not experience such delays in the delivery of our property projects in the future or that we will not be subject to any liabilities if we do experience any such delays. Furthermore, the completion of our property projects may also be delayed because of the ongoing COVID-19 pandemic and the resulting restrictive measures. For more details about the impact of COVID-19, please refer to the subsection headed "*Risks Relating to Our Business and Industry — The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.*"

**Our business may be adversely affected if we fail to obtain, or experience material delays in obtaining, requisite government approvals or licenses in carrying out our operations and property development.**

The PRC property development industry is heavily regulated. To engage in property development operations, we must apply to the relevant PRC Government authorities to obtain (and renew for ongoing operations) various licenses, permits, certificates and approvals and meet the various relevant pre-conditions. We cannot guarantee that we will be able to adapt to new rules and regulations in a timely manner or that we will not encounter other material delays or difficulties in fulfilling the conditions to obtain and/or renew necessary licenses, permits, certificates or approvals. If we are unable to obtain or renew any of them, we may not be able to continue with our development plans, which will adversely affect our business, financial condition and results of operations. Moreover, there is no assurance that our project companies which are in the process of applying for or renewing qualification certificates will be able to obtain such certificates on a timely basis to commence or continue their planned property development on schedule. If we or our project companies are unable to obtain or renew the qualification certificates, the PRC Government may refuse to issue pre-sale and other permits which will affect our cash flows, results of operations and overall financial condition. For more details about the impact of government policies and regulations on our business and operations, please refer to the subsection headed "*Risks Relating to Our Business and Industry — Our business and operations, including our urban renewal projects, are highly subject to government policies and regulations. We are susceptible to adverse changes in policies in the PRC real estate market and in regions where we operate.*"

**We may be involved in legal and other disputes from time to time arising out of our operations including disputes with our suppliers, customers or other third parties, and may face significant liabilities as a result.**

We have been and may from time to time be involved in disputes with various parties in connection with our operations including suppliers, customers and other third parties. These disputes may lead to legal or other proceedings and may result in damage to our reputation, substantial costs to our operations, and diversion of our management's attention. For example, in the past, we have been involved in disputes with our contractors and property sales agent in respect of contracting fees and agency fees respectively, and with certain third parties in respect of our proposed acquisition of project companies and our equity interest in a subsidiary. We cannot assure you that these legal proceedings will be resolved in our favor or that we will not be involved in any other legal proceedings or disputes in the future. Any unfavorable judgment in our current legal proceedings or any involvement in further legal proceedings or disputes may materially and adversely affect our business, financial condition and results of operations.

**We may be subject to fines and penalties and our right to use certain land may be taken back by the PRC Government if we fail to commence or complete construction of our property projects within a**



**prescribed period, fail to pay land grant premiums or fail to develop properties according to the terms of the land grant contracts.**

In the past, we have failed to commence and/or complete construction of our property projects within the period prescribed in certain land grant contracts. We may be subject to penalties for idle land and our right to use the relevant land may be taken back by the PRC Government without compensation and/or liquidated damages as prescribed by the relevant land grant contracts unless such delay is caused by force majeure, acts of the PRC Government, or necessary preliminary work for the commencement of construction. In such cases, our business operations and financial condition may be adversely affected.

Also, under PRC laws and regulations, if a developer fails to develop land in accordance with the terms of the land grant contract (including the terms on payment of fees, designated use of land and time for commencement and completion of development of the land), the relevant PRC Government authorities or other parties may issue warnings and/or impose fines on the developer and may revoke the developer's land use rights. In certain circumstances, the PRC Government authorities may also prohibit the developer from participating in future land biddings. If we fail to pay land premium payments on time, we may be subject to penalties and our business, operations and financial condition may be adversely affected.

Moreover, even if we have commenced development of the land in accordance with the land use rights grant contracts, if certain other requirements are not met (such as the percentage of developed land area and the amount of capital expenditure on land development), the land may still be deemed to be idle land. In relation to idle land, where there is malicious hoarding or speculation of the land, the land authorities in the PRC may refuse to accept any application for new land use rights or process any title transfer transactions, mortgage transactions, lease transactions or land registration applications in respect of any idle land before the holder of the land use right completes the relevant rectification procedures. There is no assurance that such circumstances leading to the repossession of land or delays in the completion of any of our property development will not arise in the future. If our projects are subject to delays causing our land to be repossessed, we will not be able to continue the development or recover the costs incurred up to the date of the repossession, including the cost of initial acquisition of the land, which may materially and adversely affect our results of operations, business and financial condition.

**We may be subject to fines or penalties if we fail to comply with any applicable laws, rules or regulations.**

Historically, we have experienced some non-compliance incidents. For example, our rights to use certain parcels of land, building and ancillary facilities may be unenforceable or void, as no title certificate has been registered in respect of the acquired building, or some parcels of land where we were involved in the resettlement operations were homestead land (宅基地), which was collectively owned by the villagers in the region and subject to limitations under law relating to the transfer of land use rights. In addition, we have also had incidents of non-compliance in connection with environmental law, PRC civil air defense law, regulatory requirements in relation to social security insurance and housing provident fund contributions for our employees and other PRC laws, rules and regulations. As a result of such non-compliance, we were subject to penalties or ordered to rectify such non-compliances. There is no assurance that our internal control measures will be effective and there will not be any non-compliance incidents in the future. In addition, PRC laws, rules or regulations governing our industry have been evolving rapidly, and we cannot assure you that we will not be subject to fines or penalties arising from non-compliance incidents if we fail to adapt to the new regulatory regime in a timely manner, or at all, which may have a material adverse effect on our business, financial condition and results of operations.

**Our investment properties are located on land that is under long-term land use rights granted by the PRC Government. There is uncertainty about the amount of the land grant premium that we will have to pay and additional conditions that may be imposed if we decide to seek an extension of the land use rights for our investment properties.**

Our investment properties are held by us under land use rights granted by the PRC Government. Under PRC laws, the maximum term of the land use rights ranges from 40 to 70 years, depending on the land use purpose. Upon expiration, the land use rights will be reverted to the PRC government unless the holder of the land use rights applies for and is granted an extension of the term of the land use rights.

These land use rights, except the construction land use right for residential property, do not have automatic rights of renewal and holders of land use rights are required to apply for extensions of the land

use rights one year prior to the expiration of their terms. If an application for extension is granted (and such grant would usually be given by the PRC government unless the land in issue is to be taken back for the purpose of public interests), the holder of the land use rights will be required to, among other things, pay a land grant premium. If no application is made, or if such application is not granted, the properties under the land use rights will be reverted to the PRC government without any compensation. As none of the land use rights granted by the PRC government which are similar to those granted for our investment properties has, as of the date of this Exchange Offer Memorandum, run its full term, there is no precedent to provide an indication of the amount of the land grant premium which we will have to pay and any additional conditions which may be imposed if we decide to seek an extension of the land use rights for our investment properties upon the expiry thereof.

In certain circumstances, the PRC Government may, where it considers it to be in the public interest, terminate land use rights before the expiration of the term. In addition, the PRC Government has the right to terminate long-term land use rights and expropriate the land in the event the grantee fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts. If the PRC Government charges a high land grant premium, imposes additional conditions, or does not grant an extension of the term of the land use rights of any of our investment properties, our operations could be disrupted, and our business, financial condition and results of operations could be materially and adversely affected.

**We face risks related to the pre-sale of properties from any potential limitation and restriction imposed by the PRC Government.**

We make certain undertakings in our pre-sale agreements in addition to the PRC laws and regulations, which provide for remedies for breach of these undertakings. For example, if we fail to complete a pre-sold property beyond a prescribed period, the buyer may have the right to terminate the pre-sale agreement and claim for damages, or if the floor plan of the relevant property is different from that set out in the contract and adversely affects the quality or functionality of the property; or the interior decoration of the relevant property is inferior to that set out in the contract, we may be liable to pay damages. Any of the aforesaid factors could have a material adverse effect on our results of operations, business and financial condition. Although we may be able to claim such damages from our contractors if the breaches were caused by their fault, we cannot assure you that we will be fully indemnified for our losses.

Further, we depend on proceeds from the pre-sale of properties as a significant source of funding for our property projects. Currently, the PRC Government requires certain pre-conditions to be met prior to the commencement of pre-sale of the relevant properties and also restricts the proceeds derived from such pre-sale to be used for the sole purpose of financing the property project. There can be no assurance that the PRC Government will not implement further restrictions on property pre-sale, such as imposing additional conditions for obtaining pre-sale permits or imposing further restrictions on the use of pre-sale proceeds. The introduction of such further measures may materially and adversely affect our business and cash flow position, thereby forcing us to seek alternative sources of funding to finance our property projects.

**We may be liable to our customers for damages if we do not deliver ownership certificates in a timely manner.**

Property developers in the PRC typically assist their customers to obtain the relevant individual property ownership certificates within a time frame set out in the property sale and purchase agreement. Generally, property developers, including ourselves, elect to specify the deadline for the delivery of properties in the property sale and purchase agreements to allow sufficient time for the application and approval processes. Under PRC laws and regulations, we are required to submit the relevant governmental approvals in connection with our property project, including land use rights documents and planning permits, to the local bureau of land resources and housing administration after receipt of the completion and acceptance certificate for the relevant properties and apply for the property ownership initial registration in respect of these properties. We are then required to submit after delivery of the properties, the relevant property sale and purchase agreements, identification documents of our customers and proof of payment of deed tax, for the relevant local authority's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the respective buyers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. There is no assurance that we will not incur material liability to buyers in the future for the late delivery of individual property ownership certificates due to our fault or for any reason beyond our control. For more details about the impact of the timing of completion of property projects on our business revenue, please refer to the

subsection headed "*Risks Relating to Our Business and Industry — We generate revenue principally from the sale of properties, and our ability to realize revenue from a property project may fluctuate, as it will depend on our property development schedule and the timing of completion of the property projects.*"

**The property development business is subject to claims under statutory quality warranties, and if a number of claims are brought against us under our warranties, our reputation, business, results of operation and financial condition may be materially and adversely affected.**

Under the Regulations on Administration of Development and Operation of Urban Real Estate (《城市房地產開發經營管理條例》) enacted by the State Council on July 20, 1998 and last amended on November 29, 2020, and the Regulation for the Administration of Sales of Commodity Buildings (《商品房銷售管理辦法》), which came into effect on June 1, 2001, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. Generally, we receive quality warranties from third-party contractors with respect to our property projects. If a large 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, or if the money retained by us to cover our payment obligations under the quality warranties is not sufficient, we could incur expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm our reputation, and adversely affect our business, financial condition and results of operations.

**We may be adversely affected by material issues that affect our relationships or business ventures with our joint venture or associated company partners.**

We have entered into certain joint venture agreements with other property developers to construct property developments. If there are any disputes with our joint venture partners on any material issues, the operations of the relevant joint venture or associated company may be adversely affected, and that may in turn affect our business operation and financial conditions.

The success of a joint venture or an associated company depends on a number of factors, some of which are beyond our control. We may not be able to force our partners to fully perform their obligations to us pursuant to our cooperation agreements. As a result, we may not be able to realize the anticipated economic and other benefits from our joint ventures and associated companies or even suffer losses. In addition, in accordance with PRC laws, our joint venture agreements and the articles of association of our joint ventures and associated companies, certain matters relating to joint ventures or associated companies may require the consent of all parties to the joint ventures and associated companies. Therefore, such joint venture agreements involve a number of risks, including (i) we may not be able to pass certain important board resolutions requiring unanimous consent of all of the directors of our joint ventures and associated companies if there is a disagreement between us and our joint venture or associated company partners; or (ii) our joint venture or associated company partners may have economic or business interests or goals or philosophies that are inconsistent with ours.

**Our business operations and financial conditions may be adversely affected if we suffer losses which are not covered or not adequately covered by insurance.**

As we engage third-party contractors to conduct the construction of our properties but do not construct properties ourselves, the mandatory provisions under the relevant PRC laws and regulations requiring construction contractors to maintain insurance coverage with respect to their construction projects do not apply to us. We do not maintain any insurance policies for our residential property projects unless required to under the relevant loan agreements. If we secure bank loans from a commercial bank in relation to our properties under development, the commercial banks usually require certain insurance coverages against potential losses or damages to be held until the full repayment of the underlying loans. We believe our third-party contractors should bear liabilities from tortious or other personal injuries on our project sites and therefore we do not maintain any insurance coverage against such liabilities. In accordance with applicable PRC laws and regulations, we require the general contractors of our property projects to maintain insurance policies in accordance with the contracting agreements.

We are not insured against certain risks such as losses from natural disasters, terrorist attacks and construction delays, and in cases where we maintain insurance, we may not have sufficient insurance coverage for the damages and liabilities that may arise. If we suffer any of the above losses and the losses

are either not covered or not adequately covered, our business operations and financial conditions may be adversely affected.

**Our operations are dependent on a limited number of major suppliers.**

Our suppliers are mainly construction contractors and construction material suppliers. During the three years ended December 31, 2021, we were dependent on a limited number of major suppliers to operate our businesses. If a large number of our current major suppliers decide to terminate business relationships with us or, if the services or raw materials supplied by our current suppliers fail to meet our standards, or if our current service or raw material supplies are interrupted for any reason, we may not be able to easily switch to other qualified suppliers in a timely manner, which may materially and adversely affect our business and financial results. For more details about our reliance on and relationships with third parties in certain key aspects of our business, please refer to the subsection headed "*Risks Relating to Our Business and Industry — We rely on third parties in certain key aspects of our business and if any of such third parties fails to deliver quality service or products in a timely manner, or if our relationships with any of them deteriorate, our reputation or business operations may be adversely affected.*"

**Our financing costs are subject to changes in interest rates.**

We have incurred and we expect to continue to incur a significant amount of interest expenses relating to our borrowings from banks, as well as from our other financing arrangements. Accordingly, changes in interest rates will have affected and will continue to affect our financing costs. Since the majority of our borrowings are in Renminbi, the interest rates on our borrowings are primarily affected by the benchmark interest rates set by the People's Bank of China (the "PBOC"), which have fluctuated in recent years. We incurred finance costs of RMB82.4 million, RMB135.6 million and RMB150.8 million for the years ended December 31, 2019, 2020 and 2021, respectively. Any future increases in the PBOC benchmark interest rate may lead to higher lending rates, which may increase our financing costs and as a result, affect our business, financial conditions and results of operations.

**We may not be able to obtain adequate financing to fund our future land acquisitions and property projects or obtain financing on commercially reasonable terms.**

We have financed our property projects primarily through internally generated funds including proceeds from pre-sales and sales of our properties, as well as external financings such as initial public offering and borrowings from financial institutions, such as commercial banks and trust financing companies and other financing institutions. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including PRC Government policies on granting financing, our future results of operations, financial condition and cash flows, and the condition of the financial markets and changes in policies or regulations regarding the property market. For the reasons as set out above, we may not be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms or at all and in such circumstances, our business operations or financial condition may be adversely affected.

**The PRC Government may tighten regulations relating to trust loans being provided to the property industry in the PRC, which may affect our ability to obtain trust loans.**

We have certain trust financing arrangements. There are uncertainties regarding trust financing. The operation of trust financing companies in the PRC is primarily regulated by the China Banking and Insurance Regulatory Commission ("CBIRC") (the former China Banking Regulatory Commission) pursuant to the Rules Governing Trust Financing Companies 《(信託公司管理辦法)》, which came into effect on March 1, 2007. Trust financing companies are therefore under the supervision and monitoring of the CBIRC and are required to comply with the relevant notices and regulations promulgated by the CBIRC. There can be no assurance that the PRC Government will not implement additional or more stringent requirements with regard to trust financing companies. This could result in a reduction in our financing options and/or an increase in the cost of financing our properties, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

**Our financial condition and results of operations may be materially impacted by gains or losses arising from changes in the fair value of our investment properties.**

We are required to reassess the fair value of our investment properties at the end of each reporting period. Under the HKFRS, gains or losses arising from changes in the fair value of investment properties are captured under the consolidated profit and loss statements for the period in which they arise. We recorded fair value gains on investment properties in the amount of RMB11.0 million, RMB41.6 million and RMB170.8 million for the years ended December 31, 2019, 2020 and 2021, respectively. The significant increase in the year ended December 31, 2021 was primarily due to the increased fair value of the Group's investment properties, including the hotel in Hefei and the commercial offices and hotel in Fuyang. Nevertheless, prospective investors should be aware that an upward change in the fair value does not involve profit generated from day-to-day operations. Therefore, it does not generate cash inflow to us for dividend distribution to shareholders until the investment properties are sold, and even upon such sale, the actual sale price may materially differ from the fair value recorded. Moreover, the fair value adjustments have been, and will continue to be, subject to market fluctuations. There is no assurance that we will continue to record upward changes in the fair value of our investment properties; however any material downward change may adversely affect our results of operations.

**The total GFA of some of our property developments may be different from the original authorized area.**

Government grants of land use rights for a parcel of land specify in the land grant contract the permitted total GFA that the developer may develop on the land. In addition, the total GFA is also set out in the relevant urban planning approvals and construction permits. However, the actual GFA constructed may be different from the total GFA authorized in the land grant contract or relevant construction permits due to factors such as subsequent planning and design adjustments. The actual GFA may be subject to approval when the relevant authorities inspect the properties after completion. The developer may be required to pay additional land premium and/or administrative fines and/or take corrective actions in respect of the adjusted land use and excess GFA before a construction project completion inspection and clearance certificate (建設工程竣工驗收備案證書) (the "**Completion Certificate**") can be issued to the property developer. Until the Completion Certificate is issued, we will not be able to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. The methodology for calculating the additional land premium is generally the same as the original land grant contract. If issues related to excess GFA cause delays in the delivery of our products, we may also incur liability to purchasers under our sales and purchase agreements. There can be no assurance that the constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA. Any of these factors may adversely affect our business.

**We guarantee certain mortgage loans of our customers and may become liable to mortgagee banks if customers default on their mortgage loans.**

Certain buyers of our properties apply for mortgages to fund their purchases. In accordance with industry practice, banks require us to guarantee mortgage loans taken by the relevant buyers of the properties that we develop. Typically, we guarantee mortgage loans taken out by the relevant buyers up until the earlier of (i) the date when we complete the relevant properties and the property ownership certificates and the mortgage are registered in favor of the mortgagee bank, and (ii) the date when mortgage loans are settled between the mortgagee bank and the relevant buyer. If a buyer defaults on a mortgage loan, the mortgagee bank may auction the underlying property, or we may be liable to repay the mortgage loans. Should any material default occur and if we were called upon to honor our guarantees, our financial condition and results of operations could be adversely affected.

**We may not be able to attract and retain quality tenants for our investment properties.**

Our investment properties compete for tenants with other property developers on factors including location, quality, maintenance, property management, rental rates, services provided and other lease terms. There is no assurance that our existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with us would increase the competition for tenants and, as a result, we may have to reduce rental rates or incur additional costs to make our properties more attractive. Also, we may not be able to lease our properties to a desirable mix of tenants to achieve our business objectives or for rental rates that are consistent with our projections. If we are not able to retain our existing tenants, attract new tenants to replace those that leave or lease our vacant properties, our

occupancy rates may decline, and our investment properties may become less attractive and competitive. This in turn may have an adverse effect on our business, financial condition and results of operations.

**Our provision for LAT may be insufficient which could adversely affect our financial results.**

Pursuant to PRC regulations on land appreciation tax ("LAT"), both domestic and foreign investors in real estate development in the PRC are subject to LAT on income from the sale or transfer of land use rights, properties and their attached facilities, at progressive rates ranging from 30% to 60% on the appreciation of land value. According to the Circular Concerning the Administration of Settlement of Land Appreciation Tax Imposed on Real Estate Developers 《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》 issued by the State Administration of Taxation, effective from February 1, 2007, and amended on June 15, 2018, LAT obligations are required to be settled with the relevant tax bureau within a specified time after the completion of a property project. From time to time, we make provisions for LAT by reference to our sales recognized and in accordance with our estimates of LAT payable. As we often develop our property projects in several phases, deductible items for calculations of LAT, such as land costs, are apportioned among such different phases of development. Provisions of LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which are subject to final confirmation by the relevant tax authorities upon settlement of the LAT. LAT liabilities are subject to determination by the tax authorities upon the completion of the property projects and may be different from the amounts that were initially provided for. If we substantially underestimated LAT for a particular period, a payment of the actual LAT assessed on us by the PRC tax authorities could adversely affect our financial results for the subsequent period.

**Our deferred tax assets may not be recovered, which could adversely affect our results of operations.**

As of December 31, 2021, our deferred tax assets amounted to RMB169.0 million. We periodically assess the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, there is no assurance that our expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of the regulatory environment, in which case, we may not be able to recover our deferred income tax assets which thereby could have an adverse effect on our results of operations.

**If we are unable to successfully retain our current personnel and hire, train and retain senior executives or key personnel, our ability to develop and successfully market our products could be harmed.**

The growth and success of our business depends significantly on our ability to identify, hire, train and retain suitable employees with capable skills and qualifications. If we were to lose the services of any of our senior management for any reason, we may not be able to find suitable replacements for them. Further, as competition in the PRC for senior management and key personnel with experience in property development is relatively intense and the pool of qualified candidates is limited, we may not be able to retain the services of key personnel, or hire, train and retain high quality senior executives or key personnel in the future. If any of such incidents occurred, our ability to develop and successfully market our products could be harmed and our business and prospects could be adversely affected.

**Potential liability for health and environmental problems could result in costs.**

We are subject to a variety of laws and regulations concerning the protection of health and the environment. If we fail to meet the relevant requirements, local authorities may issue orders to stop construction and based on the circumstances of the violation and the consequences thereof, impose fines or penalties on us. Upon completion of the property project, the relevant authorities will designate a third-party inspector to inspect our properties to ensure compliance with the applicable standards and regulations, and we are also subject to governmental authorities' approval before the property can be delivered to buyers. If we cannot comply with the relevant requirements, the development of our properties or delivery of our properties to buyers may be delayed, and our business operations and financial conditions may be adversely affected.

For instance, as required by PRC laws, independent environmental consultants have conducted environmental impact assessments at all of our construction projects and environmental impact assessment documents were submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request a developer to submit the environmental impact documents, issue orders to suspend the construction and impose a penalty for a project where environmental impact assessment documents have not been approved before commencement of construction.

Further, as required by PRC laws and regulations, property projects in environmentally sensitive regions or areas are required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of construction. For other property projects, we are required to file the environmental impact registration form for record. If we fail to meet such requirements, local authorities may issue orders to stop construction and based on the circumstances of the violation and the consequences thereof, impose on us a fine of between one to five percent of the total investment amount of the project, and may also issue orders to restore the original conditions before the construction; and the persons directly in charge and other directly responsible persons of us shall be subject to administrative sanctions under the law. After the completion of construction, we are required to conduct an acceptance check of the environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council. We are also required to make the acceptance report publicly available in accordance with the law unless we are required to keep the same confidential according to national provisions. If we cannot conduct an acceptance check of environmental protection facilities in due course, the development of our projects may be delayed.

**Our business depends significantly on the "滙景" brand and trademarks and any damage or negative news reports on "滙景" brand or false advertising of our properties may lead to penalties, and adversely affect our business operations and financial condition.**

We believe brand image is one of the factors that influence our client's purchase decisions. We believe our success depends substantially on the "滙景" brand and trademarks. We rely to a significant extent on "滙景" brand name in marketing our properties and a number of properties developed by us contain "滙景" in the name of the buildings. In addition, certain properties held by our controlling shareholders, such as hotels and other properties, contain "滙景" in the name of the buildings. Brand value is based largely on subjective consumer perception and can be damaged by isolated incidents that diminish consumer trust. If there is any negative incident or negative publicity concerning "滙景" brand name and trademark or if anything controversial happens at these properties, our reputation and business may be adversely affected or the "滙景" brand value and consumer demand for our properties could decline significantly if we fail to maintain the quality of our properties or fail to deliver a consistently positive experience for the purchasers of our properties, or if we are perceived to have acted in an unethical or socially irresponsible manner.

Further, as a property developer in the PRC, we are subject to laws and regulations concerning the marketing and promotion of our property development projects, our business and our brand image. If any of our advertisements are considered to be untruthful, we will be subject to penalties and will be required to cease publishing the advertisement and counter its adverse effects by publishing a notice in the same media or media with equivalent significance to correct the previous false advertisements and clarify the truth. In addition, any false advertising may cast doubt on our other disclosures, advertisements, filings and other publications, diminish our brand name and reputation, and consequentially, adversely affect our business, financial condition and results of operations.

**We face possible infringement of our intellectual property rights or incidents which damage our brand image or reputation, which could weaken our competitive position and affect our operations.**

Our principal intellectual property rights are our trademarks. We are susceptible to infringement of our intellectual property rights by third parties. There is no assurance that third parties will not copy or otherwise obtain and use our trademarks without our prior authorization. Infringement of our intellectual property rights, including our trademarks, could adversely affect the perception that our customers have of us as to our credibility, creditworthiness and abilities, which in turn may have a material adverse effect on our business, financial condition, results of operations and prospects. If we were to enforce our intellectual property rights through litigation, such litigation, whether successful or unsuccessful, could result in the incurrence of substantial costs and the diversion of resources. In the event that we are unable to adequately

protect or safeguard our intellectual property rights, our reputation, business, financial condition and results of operations and prospects may be materially and adversely affected. In addition, it is possible that we may be unable to register trademarks in future markets in which we operate or to renew the registrations of our trademarks. Further, there is no guarantee that the registration of our trademarks can completely protect us against any infringement or keep us away from any potential challenges raised by our competitors or other third parties.

**Global economic factors may have an adverse impact on the Group's operations.**

Global economic developments could adversely affect the property sector generally and developments relating to the PRC where the Group operates could impact the Group's operations and performance directly. Recently, the uncertainty arising from the United Kingdom's withdrawal from the European Union, the trade tension between the PRC and the United States, geopolitical events such as the military conflict between Russia and Ukraine and fears of a slowdown in the PRC economy have resulted in instability and volatility in the capital markets. Tensions in Hong Kong, including widespread protests in 2019, continue to have an adverse impact on Hong Kong's economy. In addition, the COVID-19 pandemic has continued to bring unprecedented challenges to the global economy due to measures introduced by governments (including border controls, lockdowns and social distancing measures) to slow down the spread of COVID-19. For more details about the material impact of COVID-19 on our business, please refer to the subsection headed "*Risks Relating to Our Business and Industry — The occurrence of a severe communicable disease or a pandemic could materially and adversely affect the Group's business operations, financial condition and results of operations.*" These events have had and may continue to have a significant adverse impact on the global credit and financial markets as a whole.

Any deterioration in the financial markets may contribute to a slowdown in the global economy, including in the growth forecasts, and may lead to significant declines in employment, household wealth, consumer demand and lending. These events have had, or may have, a significant adverse impact on economic growth in the jurisdictions in which the Group operates. These conditions may lead to oversupply and reduced property prices, as well as a reduced demand for commercial and residential rentals. The stimulus measures implemented or proposed by a number of governments as at the date of this Exchange Offer Memorandum, including any quantitative easing, may not improve economic growth or consumer sentiment in these countries. In addition, changes in the global credit and financial markets have recently diminished the availability of credit and led to an increase in the cost of financing. The Group may face difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding in the future. The Group may not be able to raise future finance at a reasonable cost.

**The occurrence of a severe communicable disease or a pandemic could materially and adversely affect the Group's business operations, financial condition and results of operations.**

Contagious diseases and pandemics which are beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Regions in which the Group operates may be subject to the threat of severe communicable diseases such as severe acute respiratory syndrome, avian influenza, swine influenza or more recently, COVID-19.

The outbreak of COVID-19 globally since late 2019 has materially and adversely affected, and could continue to affect, the overall business sentiment and environment in the PRC, particularly if such pandemic is inadequately controlled in the future. The ongoing COVID-19 pandemic has resulted in many countries, including the PRC, imposing extensive business and travel restrictions with a view to containing the pandemic, and there is no assurance that such measures will, or will continue to be, effective. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic have significantly disrupted the global economy and the global markets. While lockdown and stay-at-home policies previously imposed in many countries and regions are being gradually lifted or softened while the spread of COVID-19 slows down, there is still significant uncertainty surrounding its impact on economic activity and employment. A number of governments have revised GDP growth forecasts downward in response to the economic slowdown caused by the spread of COVID-19, and it is possible that the outbreak of COVID-19 may cause a prolonged global economic crisis or recession, which may in turn adversely affect the Group's business. In addition, if any of the Group's employees are infected with COVID-19, it could adversely affect or disrupt the Group's operations and materially and adversely affect its business, sales, operating results and financial condition. The spread of COVID-19 as well as the ensuing restrictions may also affect the operations of the Group's customers and suppliers, which could materially and adversely affect its business, sales, operating results and financial condition.



The COVID-19 pandemic is ongoing and evolving rapidly. Many countries are experiencing another wave of COVID-19, and in some cases new variants of COVID-19 such as Delta and Omicron could be more contagious. Several countries including the PRC have shown signs of resurgence, such signs being stimulated further by these variants. The duration and ultimate impact of the outbreak cannot be reasonably estimated at this time. While COVID-19 vaccines have been developed and made available by a number of biopharmaceutical manufacturers, there remains uncertainty regarding the efficacy, safety and durability of such vaccines, as well as their effectiveness against the new variants of COVID-19. The restrictions imposed to contain the outbreak may be further broadened or continue for extended periods of time. Such measures may not be successful in stabilising markets or containing the economic or other impacts of the outbreak. Even if the current COVID-19 situation were to improve, there can be no assurance that (i) there will not be another COVID-19 pandemic or another contagious disease in the future or (ii) that governments will not re-impose restrictive measures that significantly disrupt economic activities in the event that there is a resurgence of the pandemic. As a result, the global economy is facing significant uncertainties and global financial markets are experiencing significant volatilities which may adversely affect the PRC's economy, the Group and its business and financial condition, results of operations, prospects, liquidity, capital position and the value of the New Notes. Investors must exercise caution before making any investment decisions.

**If we fail to effectively implement our risk management and internal control policies and procedures, our business and prospects may be materially and adversely affected.**

We continually enhance our risk management and internal control policies and systems as part of a continuous effort to improve our risk management capabilities and enhance our internal controls. However, there can be no assurance that our risk management and internal control policies and procedures will adequately control or protect us against all risks. Some of these risks are unforeseeable or unidentifiable and may be more severe than what we may anticipate.

Our risk management capabilities and ability to effectively monitor legal compliance and other risks are restricted by the information, tools, models and technologies available to us. Moreover, our employees will require time to adjust to these policies and procedures and we cannot assure you that our employees will be able to consistently comply with or accurately apply them. If our risk management and internal control policies, procedures and systems fail to be implemented effectively, or if the intended results of such policies, procedures and systems are not achieved in a timely manner (including our ability to maintain an effective internal control system), our business, financial condition, results of operations and reputation may be materially and adversely affected.

## **RISKS RELATING TO THE PRC**

**Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on us.**

Substantially all of our assets are located in the PRC and substantially all of our revenue is sourced from the PRC. Accordingly, to a significant degree, our results of operations, financial position and prospects are subject to the economic, political and legal developments of the PRC. While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial position and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing the utilization of market forces in the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. The PRC economy has grown significantly in recent decades, but we cannot assure you that this growth will continue, or continue at the same pace. In addition, demand for our services and our business, financial position and results of operations may be adversely affected by (i) political instability or changes in social conditions in the PRC, (ii) changes in laws, regulations or policies or the interpretation of laws, regulations or policies, (iii) measures which may be introduced to control inflation or deflation,

(iv) changes in the rate or method of taxation, and (v) imposition of additional restrictions on currency conversion and remittances abroad.

In May 2017, Moody's Investors Service ("**Moody's**") downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. The full impact of the Moody's downgrade remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. Our business, financial condition and results of operations may be adversely affected by:

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

Furthermore, the growth of demand in China for the real estate industry depends heavily on economic growth. We cannot assure you that such growth will be sustained in the future. From time to time, the PRC government has implemented certain measures in order to prevent the PRC economy from experiencing excessive inflation. Such governmental measures may cause a decrease in the level of economic activity and have an adverse impact on economic growth in China. If China's economic growth slows down or if the Chinese economy experiences a recession, the growth of demand for real estate property may also decrease. Such events could have a material adverse effect on the Group's business, results of operations and financial condition.

**Uncertainties with respect to the PRC legal system could have a material and adverse effect on our business and operations.**

Our business and operations are conducted in the PRC and governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes and their interpretations in terms of application and enforcement by relevant legislative and judicial authorities, various administrative regulations and decrees. There is only a limited number of published court decisions which may be cited for reference and in any case, unlike in the common law system, prior cases have limited precedential value in deciding subsequent cases in the civil law legal system. Since the late 1970s, the PRC government has committed to building up a socialistic legal system to regulate business practices and the overall economic order of the country. The PRC has made significant progress in the promulgation of laws and regulations dealing with business and commercial affairs of various participants of the economy, involving shareholders' rights, foreign investment, corporate organization and governance, commercial transactions, taxation and trade. However, the PRC has not developed a fully-integrated legal system, and its laws and regulations may not sufficiently cover all aspects of economic activity in the PRC, including those governing the resolution of disputes arising from a PRC issuer's articles of association and the transfer of a PRC issuer's shares. As many of these laws and regulations are relatively new, and given the limited volume of published decisions and the involvement of different enforcement bodies of the relevant laws and regulations and the non-binding nature of prior court decisions and administrative rulings, the interpretation and enforcement of these laws and regulations involve significant uncertainties.

**Restrictions on foreign investment may materially and adversely affect our ability to invest in our PRC subsidiaries.**

In order to curtail overheating in the real estate industry, the PRC Government has sought to regulate foreign investment in property. There can be no assurance that the PRC Government will not promulgate laws and regulations that materially and adversely affect our ability to invest in our PRC subsidiaries going forward. The PRC Government may impose additional conditions toward establishing foreign-invested real estate enterprises and tighten foreign exchange controls. Such measures may materially and adversely affect our ability to invest in our PRC subsidiaries, and therefore hamper the growth of our business. Our PRC subsidiaries may be forced to search for other sources of financing, which may not be available on favorable terms or at all.

**Fluctuations in the value of the Renminbi and governmental control of currency conversion may limit our ability to use capital effectively.**

Substantially all of our revenue and expenditures are denominated in Renminbi. Fluctuations in the exchange rates between the Renminbi and the H.K. dollar, U.S. dollar or other currencies will affect the relative purchasing power in Renminbi terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us. We may need to convert our sales proceeds in Renminbi into other foreign currencies to repay any foreign debts of the Group. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. In August 2015, PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for reference rates to consider the previous day's closing spot rate, foreign exchange demand and supply as well as changes in major currency rates. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the H.K. dollar, U.S. dollar or other currencies in the future.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that we will have sufficient foreign exchange to meet our foreign exchange needs. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the State Administration of Foreign Exchange (the "SAFE"). But we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange businesses. Foreign exchange transactions under the capital account, however, must be directly reviewed and handled by banks in accordance with the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**Circular 13**"), and the SAFE and its branches must perform indirect regulation over the foreign exchange registration via banks. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain adequate foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

**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.**

On July 9, 2019, the General Office of the National Development and Reform Commission ("**NDRC**") issued the Circular on Filing and Registration Requirements with respect to the Application for Foreign Debt Issuance by Real Estate Enterprises (Fa Gai Ban Wai Zi [2019] No. 778) (國家發展改革委辦公廳關於對房地產企業發行外債申請備案登記有關要求的通知 (發改辦外資[2019]778 號)) ("**Circular 778**"), which aims to strengthen the management of the foreign debt issued by real estate enterprises. Circular 778 expressly restricts the use of proceeds of foreign debt issued by real estate

enterprises to repaying medium- and long-term foreign debt due within one year. This may adversely affect our financial condition and may cause delays to the development undertaken by us.

**The PRC national economy and economies in different regions of the PRC 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 the PRC, in particular, in regions where our property development projects are located. 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 certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu, the Ebola virus or the human swine flu, also known as Influenza A (H1N1), or, most recently, COVID-19. For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and subsequently, resulting in tremendous loss of lives and injury and destruction of assets in the region. In April 2013, another earthquake and its aftershocks struck Sichuan province again, and its epicenter was approximately 100 kilometers from Chengdu. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China.

Since 2020, a highly infectious disease, COVID-19, quickly spread across China and the globe. As of the date of this Exchange Offer Memorandum, the COVID-19 pandemic has spread to more than 200 countries and regions globally. Since 2020, several cities in China where we have land bank and business operations have been under extended lockdown from time to time and facing travel and other restrictions in efforts to curb the spread of COVID-19. As a result, sales offices and construction of certain of our property development projects and our sales activities were temporarily suspended and supplies of our raw materials and equipment were negatively affected, and the productivity of our employees was adversely affected.

The level of new local infections in China has fluctuated since 2020. While the spread of COVID-19 has slowed during 2021, spikes of increase in infection levels have occurred in 2022 with an increasing number of COVID-19 cases, including cases involving new COVID-19 variants such as Delta and Omicron, in multiple cities in China. Since March 2022, the local authorities of such cities in China have reinstated certain measures to keep COVID-19 in check, including city lockdown, travel restrictions and stay-at-home orders. As a result of reinstatement of COVID-19 related measures, some of our property development projects were unable to resume in a timely manner, which has caused a negative impact on our contracted sales and revenue for the beginning of 2022, and hence our business, operations and financial position. Although the COVID-19 pandemic in China and the measures taken by local authorities have shown signs of easing as of the date of this Exchange Offer Memorandum, as the outbreak in other countries around the world persists, we cannot assure you that similar measures will not be adopted in China again, and such measures may have significant short-term adverse effects on our business and future development. Therefore, the completion of our property development projects may be delayed and sales might be lower than expected, which may have negative impact on our business operations, profitability and cash flows. It is also possible that customers who have entered into sales contracts with us to purchase properties could default on their mortgage or payments if the general economic situation further deteriorates as a result of the epidemic. Given the uncertainties as to the development of the outbreak, it is difficult to predict how long these conditions will persist and the extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected.

A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 or H7N9 avian flu, Ebola, the human swine flu or the ongoing COVID-19 outbreak, especially in the cities where we have operations, may result in material disruptions to our property development and our sales, which in turn may adversely affect our business, financial condition and results of operations. In addition, the outbreak of communicable diseases, such as the COVID-19 outbreak, on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets. The COVID-19 outbreak has resulted in travel restrictions and prolonged closures of relevant workplaces, which may have a material adverse effect on the global economy and financial markets. As the Chinese economy is an integral part of the global one, any material changes and developments in the global financial markets may materially and adversely affect Chinese market conditions and in turn, our business, financial condition and results of operations.

**You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC based on foreign laws against us and our Directors and senior management.**

Substantially all of our assets are located in the PRC. In addition, almost all of our Directors and executive officers reside in the PRC and their personal assets may also be in the PRC. Therefore, investors may encounter difficulties in effecting service of process from outside the PRC upon us or most of our Directors and executive officers. Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. A judgment of a court from a foreign jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a corresponding treaty with the PRC or if the judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requisite requirements. However, recognition and enforcement in the PRC of judgments of certain overseas courts in relation to any matter not subject to a binding jurisdiction provision may be difficult or impossible.

**Payment of dividends is subject to restrictions under PRC law.**

Under PRC law, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits as determined under the generally accepted accounting principles in the PRC ("PRC GAAP") or HKFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including periods in which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under HKFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under HKFRS, or *vice versa*. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay us dividends could materially and adversely impact our cash flow and ability to make dividend distributions to our Shareholders in the future, including periods in which our financial statements indicate we are profitable.

**The implementation of the EIT Law may significantly increase our income tax expenses.**

On March 16, 2007, the PRC National People's Congress, Chinese national legislature, adopted a new tax law, the Enterprise Income Tax Law (中國人民共和國企業所得稅法) (the "EIT Law"), which became effective on January 1, 2008, and was amended on February 24, 2017 and December 29, 2018, respectively. On December 6, 2007, the State Council issued the Implementation Regulations of the PRC Enterprise Income Tax Law (the "Implementation Regulations"), which also became effective on January 1, 2008 and was last amended on April 23, 2019.

Under the EIT Law and Implementation Regulations, if we are deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to us by our PRC subsidiaries, unless we are entitled to reduction or elimination of such tax, including by tax treaty. According to a tax treaty between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in China to a shareholder incorporated in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong shareholder directly holds a 25% or more interest in the PRC enterprise. We cannot assure you, however, that the current tax treaties in place between the PRC and Hong Kong will remain in place or that we will continue to be able to enjoy a reduced withholding tax on dividends we receive from our PRC subsidiaries.

**We may be deemed to be a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income.**

Under the EIT Law, commencing January 1, 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% EIT rate on their global income. Under the Implementation Regulations for the EIT Law, "de facto management bodies" are defined as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise.

Substantially all of our management is currently based in China and may continue to remain in China. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will explain the regulation. Therefore, we may be treated as a PRC resident enterprise for EIT purposes. The tax consequences of such treatment are currently unclear, as they will depend on how PRC finance and tax authorities apply or enforce the EIT Law and the Implementation Regulations.

## **RISKS RELATING TO THE NEW NOTES, THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES**

**We are a holding company and payments with respect to the New Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.**

We are a holding company with no material operations. We conduct substantially all of our operations through our PRC subsidiaries. The New Notes will not be guaranteed by any of our current or future PRC subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the New Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or the JV Subsidiary Guarantees (as the case may be) will depend upon receipt of principal repayment and interest payments in respect of the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets in priority to the claims of holders of the New Notes. As a result, our payment obligations under the New Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the New Notes. As of December 31, 2021, the Non-Guarantor Subsidiaries had total indebtedness of approximately RMB4,512.1 million, capital commitments of approximately RMB2,438.3 million and contingent liabilities of approximately RMB3,588.7 million. The New Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be) securing the related obligations over claims of holders of the New Notes.

Under the terms of the New Notes, a Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee following the sale or issuance by the Company or any Restricted Subsidiary of capital stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued capital stock of the relevant Subsidiary Guarantor (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the latest fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the New Notes.

**We have incurred substantial indebtedness, including indebtedness that will mature within one year, and we may further incur substantial additional indebtedness in the future, which could adversely affect our financial position and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations in a timely manner.**

We now have incurred, and may continue to incur, substantial amount of indebtedness. As of December 31, 2021, our total borrowings amounted to RMB3,596.2 million, among which, bank and other

borrowings amounting to RMB1,452.5 million were due within one year from December 31, 2021. As a result, we are subject to refinancing risks in connection with such maturing indebtedness. We cannot assure you that we would be able to refinance our indebtedness, including that which becomes due in the next year, in a timely manner on acceptable terms or at all. The risk is exacerbated by the current volatility in the global capital and credit markets and caused by severe impact of the ongoing COVID-19 pandemic.

Our substantial indebtedness could have important consequences to you. For example, it could:

- affect our ability to satisfy our obligations under the New Notes and other debts;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow generated from business operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for 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 raise additional funds; and
- increase the cost of additional financing.

We may from time to time incur additional indebtedness and contingent liabilities. We are subject to certain covenants under the Indenture in connection with additional indebtedness and issuing preferred stock. Under such covenants, we may incur additional indebtedness if (i) we are able to satisfy certain financial ratios or (ii) any of the exceptions to such financial ratios is applicable and we are able to comply with any other applicable restrictions. We and/or our subsidiaries may continue to incur additional indebtedness despite the limitations imposed by the covenants. If we or our subsidiaries further incur additional debts, the risks that we face as a result of our substantial indebtedness and leverage may further increase.

Our ability to obtain sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic, financial and business conditions and other factors that are beyond our control. As of the date of this Exchange Offer Memorandum, we anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, or if our guarantors are unable to perform their obligations under the relevant guarantees, or if we are unable to secure alternative funding or financial support, we may need to adopt strategies which may include without limitation, reducing or delaying capital expenditure, disposal of substantial assets, restructuring or refinancing our indebtedness or raising equity capital. These strategies may not be exercised on satisfactory terms, if at all.

In addition, the Indenture prohibits us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) any of the exceptions to such financial ratios is applicable and we are able to comply with any other applicable restrictions. Our ability to satisfy such financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these financial ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See the sections headed "*Description of Material Indebtedness and Other Obligations*" and "*Risk Factors – Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees – Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.*" Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react 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 or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the New Notes and other debts.

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

As a holding company, we depend on dividend distributions from our subsidiaries and interest payments generated from intercompany loans or advances provided to our subsidiaries, including our PRC subsidiaries, to satisfy our payment obligations in respect of our indebtedness, including our payment obligations under the New Notes. The ability of our subsidiaries to distribute dividends and advance payments in respect of intercompany loans or advances is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the respective articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or other agreements entered into by such subsidiaries. Pursuant to certain loan agreements entered into by some of our PRC subsidiaries with certain PRC banks, such PRC subsidiaries are subject to certain dividend distribution limitations. In addition, subject to the section headed "*Description of the New Notes - Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries*", if any of our subsidiaries raises capital by issuing equity securities to third parties, our entitlement to future dividend payouts from such subsidiaries may be reduced as a result of dilution in our shareholding of such subsidiaries. These restrictions may reduce the cashflow generated from our subsidiaries which may in turn affect our ability to satisfy our payment obligations under the New Notes and/or affect the ability of our subsidiaries to fulfil their respective obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be).

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations, and such profits differ from profits determined in accordance with the HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends to the shareholders. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to withholding tax at 10%, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, if the non-PRC parent company is a Hong Kong resident and directly holds 25% or more equity interest in the PRC enterprise and also the beneficial owner of the dividend income, such withholding tax rate may be lowered to 5%. Such restrictions may limit our PRC subsidiaries' ability to meet any payment obligations in connection with the New Notes and/or the ability of the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) to fulfill their respective payment obligations under the Subsidiary Guarantees or the JV Subsidiary Guarantees (as the case may be).

Currently we have not provided any offshore shareholder loan to any of our PRC subsidiaries. We may in the future provide offshore loan(s) to any of our PRC subsidiaries to finance their business operations. Our PRC subsidiaries are required to pay withholding tax at 10% (or at a rate not exceeding 7% if the beneficial owner of the interest income is a Hong Kong resident) in respect of any interest paid pursuant to any shareholder or intercompany loan. Prior to effecting any payment of interest or principal in respect of any shareholder loan or intercompany loan, such PRC subsidiaries (as foreign-invested enterprises in the PRC) must present evidence of payment of withholding tax in respect of the interest payable on such shareholder loan or intercompany loan and evidence of due registration with the SAFE (including any other documents that the SAFE or its local branch may require).

The eligibility for the reduced tax rates described above in respect of interest payments from our PRC subsidiaries to our Hong Kong subsidiaries is subject to limitations, including without limitation that, the Hong Kong recipient company must be treated as the beneficial owner of the income and the PRC tax authorities having approved the reduced withholding rate. There is no assurance that such approval will be granted by the PRC tax authorities.

As a result of the foregoing, we cannot assure you that (a) we will continue to generate sufficient cash flow from dividend distribution by our subsidiaries or interest payments in connection with shareholder loans or intercompany loans or advances to satisfy our obligations under the New Notes or (b) the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) will have sufficient funds to fulfill their payment obligations under the Subsidiary Guarantees or the JV Subsidiary Guarantees (as the case may be).



**The terms of the New Notes give us enhanced flexibility to pay substantial amount of dividends.**

We pay dividends to our shareholders 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 terms of the New Notes, we may pay dividends on our common stock in 2022 in any amount with respect to any profit for the year ended December 31, 2021 or, for any fiscal year after the Original Issue Date, in an aggregate amount up to 20.0% of our profit for the year without satisfying any financial ratios. With such exception, we may be able to distribute substantial sum of dividends even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the New Notes.

**The New Notes Sale and Purchase Agreement could have a material adverse effect on our financial position and increase our risks of default under the New Notes.**

We expect to enter into the New Notes Sale and Purchase Agreement with certain holders of the Old Notes whereby we will promise to purchase from these holders certain amounts of the New Notes to be issued to them as part of this Exchange Offer on certain dates or under certain conditions. For details of such agreement, see "*Summary – New Notes Sales and Purchase Agreement*". We could face additional liquidity pressures in order to fulfil our purchase obligation under this agreement, including as a result of the restrictions on our ability to incur additional indebtedness, create liens or provide guarantees under the New Notes, which could have a material adverse effect on our operations, business and financial position and increase our risk of default under the New Notes and our other outstanding indebtedness. Our non-performance or under-performance under the New Notes Sale and Purchase Agreement may constitute a default or an event of default under the New Notes or any other outstanding indebtedness, which may also trigger cross acceleration under such indebtedness and have a further material adverse effect on our operations, business and financial position.

**Interest payable by us to our foreign investors and gains on the sale of our New Notes may be subject to withholding taxes under PRC tax laws.**

We may be treated as a PRC resident enterprise for PRC tax purposes. See the subsection headed "*Risks Relating to Our Business and Industry – We may be deemed to be a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income.*" If we are deemed to be a PRC resident enterprise, any interest payable by us on the New Notes may be considered sourced from within the PRC. In that case, PRC income tax at the rate of 10% will be withheld from any interest payable by us to investors that are "non-resident enterprises" so long as such "non-resident enterprise" investors do not have an establishment or place of business in the PRC or if, despite the existence of such establishment or place of business in the PRC, the relevant income is not effectively connected with such establishment or place of business in the PRC. Any gain realized on the transfer of the New Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Furthermore, if we are considered as a PRC resident enterprise and the relevant PRC tax authorities determine that any interest payment made by us with respect to the New Notes or any gain realized from the transfer of New Notes is income derived from sources within the PRC, such interest or gains earned by non-resident individuals may be subject to PRC income tax (which in the case of interest, may be withheld by us) at a rate of 20%. A preferential rate of withholding tax may be provided by tax treaties or arrangements entered into between the country or region where the holder of a New Note is established and the PRC. It is uncertain whether we will be considered as a PRC "resident enterprise." In addition, pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-Added Tax (關於全面推開營業稅改徵增值稅試點的通知) (the "**Circular 36**") promulgated by the Ministry of Finance ("**MOF**") and the State Administration of Taxation (the "**SAT**") on March 23, 2016, which was last amended on April 1, 2019, if the Company is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the New Notes are providing loans within the PRC, the holders of the New Notes shall be subject to value-added tax ("**VAT**") at the rate of 6% when receiving the interest payments under the New Notes.

Where a holder of the New Notes who is an entity or individual located outside the PRC resells the New Notes to any entity or individual located outside the PRC and derives any gain, since neither the seller nor the buyer is located in the PRC, Circular 36 may not *prima facie* apply and we may not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of New Notes is located within the PRC.

If we are required to withhold PRC tax on any interest payable to our foreign noteholders that are "non-resident enterprises," we will be required, subject to certain exceptions, to pay such additional amounts such that the relevant holder of the New Note(s) would receive an amount that would have been received if such withholding tax were not applicable. The requirement to pay additional amounts will increase the cost of servicing interest payments on the New Notes and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the New Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our New Notes, the value of your investment in our New Notes may be materially and adversely affected. It is unclear whether we will be considered to be a PRC "resident enterprise", or whether holders of our New Note(s) might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

**We may redeem the New Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC "resident enterprise."**

In the event we are treated as a PRC "resident enterprise", we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts that would result in receipt by a holder of a New Note of such amounts as would have been received had no such withholding tax been imposed. As described under the section headed "*Description of the New Notes – Redemption for Taxation Reasons*", in the event that we are required to pay additional amounts as a result of certain changes in specified tax laws, including without limitation any change in interpretation or statement of the official position such that we may be treated as a PRC "resident enterprise" and become subject to withholding tax requirements in connection with any interest payment in respect of the New Notes, we may redeem the New Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

**We may not be able, or may not be required, to repurchase the New Notes upon a Change of Control and/or a Relevant Event.**

Not later than 30 days following a Change of Control, we are required to make an offer to repurchase all the New Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

Not later than 30 days following a Relevant Event, we are required to make an offer to repurchase all the New Notes outstanding at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

However, we may not have sufficient funds at such aforementioned time to repurchase all the New Notes outstanding, when we are required to do so.

In addition, a Change of Control or a Relevant Event may also constitute an event of default in respect of other indebtedness of the Company and/or its Subsidiaries pursuant to other debt or similar instruments entered among the Company and/or its Subsidiaries and other lenders (as applicable), which may otherwise trigger acceleration of such debt(s) or similar instruments. However, it is possible that we may not have sufficient cash to service all the payment obligations of all the accelerated debts or similar instruments (including the repurchase obligations under the New Notes).

The sale or disposition of "all or substantially all" of our assets is one of the relevant circumstances under a "Change of Control". However, the phrase "all or substantially all", as used in respect of the sale or disposition of our assets under the definition of "Change of Control," will likely be interpreted pursuant to the applicable law of the relevant jurisdictions and will be dependent upon the factual circumstances. As a result, there may be uncertainty in ascertaining whether a sale or disposition of "all or substantially all" of our assets has occurred and hence whether a "Change of Control" is triggered, and such uncertainty may limit the benefit of a holder of the New Notes in respect of our offer to repurchase the New Notes outstanding.

**The insolvency laws of the Cayman Islands, the British Virgin Islands and Hong Kong and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the New Notes are familiar.**

Since the Company is incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to the Company, even if brought in the United States, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, our other Subsidiary Guarantors and JV Subsidiary Guarantors (if any) are incorporated or may be incorporated in the British Virgin Islands (the "BVI") or Hong Kong, and the insolvency laws of the BVI and Hong Kong may also differ from the laws of the United States or other jurisdictions with which the holders of the New Notes are familiar.

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. The Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. Any JV Subsidiary Guarantors which become equity holders of our PRC subsidiaries would also be subject to such laws. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the New Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our New Notes.

**We may be unable to obtain and remit foreign exchange.**

Our ability to satisfy our obligations under the New Notes depends solely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans and pay interest in respect thereof. Our PRC subsidiaries must present certain documents to the SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to effecting any payment of interest and principal in respect of any shareholder loan we made available to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of withholding tax (at 10%, or other rate not exceeding 7% if the interest is to be paid to a Hong Kong resident) in respect of the interest payable pursuant to such shareholder loan. If any of our PRC subsidiaries for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, such PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our obligations under the New Notes.

**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 obligations 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 debts could terminate their commitments to lend to us, accelerate repayment of the debts and declare all outstanding amounts 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 repayment of not only such debt but also other debts, including the New 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.

**Our operations are restricted by the terms of the New 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;

- 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.

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other PRC property developers. 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. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications, including, among others, that we may, subject to certain conditions, make investments in any Unrestricted Subsidiaries and minority owned joint ventures primarily engaged in permitted business up to an aggregate amount equal to 20% of our total assets, without satisfying the fixed charge coverage ratio requirement. See the section headed "*Description of the New Notes.*"

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

The New Notes are a new issue of securities for which there is currently no trading market. In addition, the New Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your New Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section headed "*Notice to Investors.*" No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the New Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the New Notes could be adversely affected.

**Certain transactions that constitute "connected transactions" under the Listing Rules will not be subject to the "Limitation on Transactions with Shareholders and Affiliates" covenant.**

Our shares are listed on the Stock Exchange and we are required to comply with its Listing Rules, which provide, among other things, that any transaction between a listed company or any of its subsidiaries, on the one hand, and a "connected person" of such listed company, on the other hand, is a "connected transaction" that, if the value of such transaction exceeds the applicable *de minimis* thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of "connected person" to a listed company includes, among others, any 10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of "connected person" also captures "associates," which include, among others, (a) any subsidiary of such "connected person," (b) any holding

company of such "connected person" and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

The "Limitation on Transactions with Shareholders and Affiliates" covenant in the New Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, may not be captured by such covenant, even though they are subject to the independent shareholders' requirement under the Listing Rules. As a result, we are not required by the terms of the New Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the Trustee for any such transactions.

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

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

**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 Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this Exchange Offer Memorandum has been prepared in accordance with the HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this Exchange Offer Memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS 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 the HKFRS and other GAAPs and how those differences might affect the financial information contained in this Exchange Offer Memorandum.

**The New 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 New Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the New Notes represented by the global certificate 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 New Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the New Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the New Notes will be made to the paying and transfer 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 certificate representing the New 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 Noteholders under the Indenture.

Unlike the holders of the New 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 New Notes.

**Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees.**

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries and their direct PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the New Notes or at any time thereafter. No future subsidiaries that are organized under the laws of PRC or their future PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future. As a result, the New Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries.

The initial Subsidiary Guarantors that will guarantee the New Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the New Notes if we are unable to do so. See the subsection headed "*Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees – We are a holding company and payments with respect to the New Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.*"

Under the terms of the New Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the capital stock of such Subsidiary Guarantor, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors (if any) (including such Other Non-Guarantor Subsidiaries) do not account for more than 15% of our total assets.

In addition, under the terms of the New Notes, a Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee following the sale or issuance by the Company or any Restricted Subsidiary of capital stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares is for no less than 20% of the issued capital stock of the relevant Subsidiary Guarantor (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company.

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

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the Cayman Islands, the BVI, Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established or where insolvency proceedings may be commenced with respect to any such Subsidiary Guarantors or JV Subsidiary Guarantors, 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 the incurrence of such guarantee;
- 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 laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its properties 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 in respect of its existing debts 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 guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be) without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be), or holds the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the New Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be) based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be), and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors (as the case may be) whose guarantees have not been voided or held unenforceable. 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 New 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 Company 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 institute 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**

We will not receive any cash proceeds from the Exchange Offer. The Old Notes exchanged in connection with the Exchange Offer will be marked down and cancelled.

## DESCRIPTION OF THE EXCHANGE OFFER

### General

We intend to conduct the Exchange Offer in accordance with the applicable requirements of the Securities Act and the U.S. Securities Exchange Act of 1934 (the "**Exchange Act**"), and the rules and regulations of the SEC thereunder, as well as any other applicable rules and regulations of any jurisdiction where the offer of the New Notes and the exchange of the Old Notes is permitted. The Exchange Offer will only be made to, and the New Notes are being offered and will be issued only to, Eligible Holders of Old Notes who have complied with the procedures set out herein, or on whose behalf their brokers, dealers, custodians, trust companies or other nominees or custodians have complied with the procedures herein and confirmed and represented that such Holders are non-U.S. persons located outside the United States, or certain fiduciaries holding accounts for the benefit of non-U.S. persons outside the United States, as those terms are defined in Regulation S under the Securities Act.

### Purpose of the Exchange Offer

The purpose of the Exchange Offer is to refinance the Old Notes and extend the Company's debt maturity profile to improve its debt structure.

### Terms of the Exchange Offer

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, the Company is offering to exchange at least a Minimum Acceptance Amount of its outstanding Old Notes (ISIN: XS2364281506; Common Code: 236428150), for the New Notes to be issued. As of the date of this Exchange Offer Memorandum, US\$138,000,000 aggregate principal amount of Old Notes were outstanding.

Holders of Old Notes validly tendered in the Exchange Offer and accepted will waive any and all rights with respect to the Old Notes (other than the right to receive the Exchange Consideration) and will release and discharge us and the Subsidiary Guarantors from any and all claims such Holder may have, now or in the future, arising out of or related to such Old Notes, including any and all accrued and unpaid interest thereon. Accrued Interest will be payable in cash on the Settlement Date.

### Exchange Consideration

For each US\$1,000 principal amount of outstanding Old Notes that is validly tendered and accepted for exchange prior to the Exchange Expiration Deadline, Holders will receive, subject the terms and conditions set forth herein, (a) US\$1,000 principal amount of the New Notes, (b) Accrued Interest in cash and (c) in the event that any tendering Holder is entitled to receive New Notes in a principal amount that is not an integral multiple of US\$1,000, cash (rounded to the nearest US\$0.01, with US\$0.005 rounded upwards) in lieu of any fractional amount of the New Notes equal to the principal amount of the New Notes not issued (after rounding downward the amount of the New Notes to the nearest multiple of US\$1,000).

Your right to receive the Exchange Consideration described above is subject to all the conditions set forth in this Exchange Offer Memorandum being satisfied or waived.

If any of the Old Notes validly tendered for exchange by any Holder have not been accepted, you will not receive the Exchange Consideration in relation to the amount of the Old Notes. Old Notes validly tendered but not accepted in the Exchange Offer will be promptly returned to the account of such Holder.

No other Holders will be entitled to receive the Exchange Consideration.

### Interest or Coupon on the New Notes

The New Notes will bear interest at the rate of 12.50% per annum. The New Notes will have a tenor of 364 days and mature in 2023. Interest is payable in arrears on the date being the end of the six-month period starting from the Original Issue Date and the Maturity Date of the New Notes.

## **Eligibility for Acceptance of the Exchange Offer**

Your submission of an electronic instruction to Euroclear or Clearstream, as applicable, with respect to any Old Notes will only be valid if you certify in such electronic instruction that you are an Eligible Holder and if you provide the Information and Exchange Agent with an investor certification letter (if applicable). Only Eligible Holders are authorized to receive or review the Exchange Offer Memorandum and to participate in the Exchange Offer.

## **Exchange Expiration Deadline; Extensions; Amendments; Termination**

For purposes of the Exchange Offer, the Exchange Expiration Deadline will be 4:00 p.m., London time, on July 13, 2022, subject to our right to extend that time and date or terminate the Exchange Offer early in our absolute discretion, in which case the Exchange Expiration Deadline means the latest time and date to which such time and date is extended.

We reserve the right, in our absolute discretion, by giving oral or written notice to the Sole Dealer Advisor, and the Information and Exchange Agent to:

- extend the Exchange Offer;
- amend or modify the maximum amount of Old Notes to be accepted and the maximum aggregate principal amount of New Notes to be delivered pursuant to the Exchange Offer;
- terminate the Exchange Offer if any condition to our obligation to exchange Old Notes for New Notes is not satisfied or waived prior to the Settlement Date; and
- amend or modify the Exchange Offer, or waive any condition to the Exchange Offer.

If we make a material change in the terms of the Exchange Offer or the information concerning the Exchange Offer, or waive a material condition of the Exchange Offer, we will disseminate disclosure regarding the changes to the Exchange Offer and extend the Exchange Offer, if required by law.

During any extension of the Exchange Offer, all Old Notes previously validly tendered will remain subject to the Exchange Offer. Any waiver, amendment or modification of the Exchange Offer, including any change in the consideration, will apply to all Old Notes previously validly tendered, subject to applicable law.

We will promptly announce any extension, amendment or termination of the Exchange Offer, including the announcement of a change in the minimum yield of the New Notes, by issuing an announcement via the Exchange Website, the website of the SEHK and the SGX-ST and through Euroclear and Clearstream. We will announce any extension of the Exchange Expiration Deadline no later than 9:00 a.m. London time, on the first business day after such previously scheduled Exchange Expiration Deadline.

## **Acceptance of the Old Notes**

Subject to the terms and conditions of the Exchange Offer, and assuming we do not otherwise terminate the Exchange Offer, we will be deemed to accept validly tendered Old Notes when, and if, we give oral or written notice of acceptance to the Sole Dealer Advisor and the Information and Exchange Agent. If any tendered Old Notes are not accepted for any reason described in the terms and conditions of the Exchange Offer, such unaccepted Old Notes will be returned to the tendering Holder at our expense promptly after the expiration or termination of the Exchange Offer. Any unaccepted Old Notes will be credited back to the tendering Holder's account with the relevant Clearing System. Under no circumstances will we be required to accept Old Notes for exchange that have not been validly tendered prior to the Exchange Expiration Deadline in accordance with the procedures set forth in this Exchange Offer Memorandum. We reserve the absolute right to reject any and all tenders of the Old Notes not in proper form or any Old Notes the acceptance for exchange of which may, in the opinion of counsel, be unlawful. See "*Procedures for Tendering Old Notes.*"

## **Settlement Date; Delivery of Consideration**

The Settlement Date will occur as soon as practicable following the Exchange Expiration Deadline. We anticipate that the Settlement Date will occur on or about the third business day following the Exchange

Expiration Deadline, being July 18, 2022, unless the Exchange Offer is extended or terminated earlier in our sole discretion.

Subject to the terms and conditions of the Exchange Offer, and assuming that the Exchange Offer is not otherwise terminated by us, on the Settlement Date, Old Notes validly tendered prior to the Exchange Expiration Deadline that are accepted by us will be exchanged for the Exchange Consideration.

New Notes issued in partial or full exchange for Old Notes in the Exchange Offer will be delivered in book entry form by deposit with Euroclear or Clearstream. Euroclear or Clearstream will transmit the New Notes to the Holders.

Any cash payments for the cash portion of the Exchange Consideration and fractional portions of the New Notes to be issued in the Exchange Offer will be made by deposit of funds directly to Euroclear or Clearstream. Euroclear or Clearstream will transmit the New Notes to the Holders and Euroclear or Clearstream will also transmit the cash payments to Holders.

### **Conditions to the Exchange Offer**

Notwithstanding anything to the contrary contained in this Exchange Offer Memorandum or in any other document related to the Exchange Offer, the Company expressly reserves the right, in its sole discretion and regardless of whether any of the conditions described under "*Description of the Exchange Offer — Conditions to the Exchange Offer*" have been satisfied, subject to applicable law, at any time to (i) terminate the Exchange Offer, in whole or in part, (ii) waive any of the conditions described herein, in whole or in part, (iii) extend the Exchange Expiration Deadline, (iv) amend the terms of the Exchange Offer or (v) modify the form or amount of the consideration to be paid pursuant to this Exchange Offer. **The Minimum Acceptance Amount cannot be amended or waived. If we receive valid tenders of the Old Notes for less than the Minimum Acceptance Amount, we will not proceed with the Exchange Offer and the Exchange Offer shall lapse automatically and any Old Notes validly tendered will be promptly returned to the account of such Holder.**

### ***Exchange General Conditions***

Notwithstanding any other provisions of the Exchange Offer or any extension of the Exchange Offer, we will not be required to deliver any consideration for the tender of the Old Notes, and we may terminate the Exchange Offer or, at our option, modify, extend or otherwise amend the Exchange Offer, unless each of the following conditions, except for condition (1) below which cannot be waived, have been satisfied or waived (the "**exchange general conditions**"):

- (1) not less than the Minimum Acceptance Amount of the Old Notes, not including any Old Notes subject to repurchase, shall have been validly tendered prior to the Expiration Deadline;
- (2) there shall not have occurred or be likely to occur any event affecting the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects of the Company, its affiliates or subsidiaries that, in the sole judgment of the Company, either (i) is, or is reasonably likely to be, materially adverse to the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects of the Company, its affiliates and subsidiaries, or (ii) would or might prohibit, prevent, restrict or delay consummation of the Exchange Offer or the issue of the New Notes;
- (3) none of the following has occurred:
  - a) any general suspension of or limitation on trading in securities on the United States, London, Hong Kong, Singapore, the PRC securities or financial markets, or in the over-the-counter market (whether or not mandatory);
  - b) any material decrease in the trading price of the Old Notes in the United States, London, Hong Kong, Singapore, the PRC or other major securities or financial markets;
  - c) a material impairment in the general trading market for debt securities;

- d) a declaration of a banking moratorium or any suspension of payments in respect of banks by federal or state authorities in the United States, London, Hong Kong, Singapore, the PRC or other major financial markets (whether or not mandatory);
  - e) a commencement or escalation of a war, armed hostilities, terrorist act or other national or international crisis directly or indirectly relating to the United States, London, Hong Kong, Singapore or the PRC;
  - f) any limitation (whether or not mandatory) by any governmental, administrative or regulatory authority or agency, domestic or foreign, or other event having a reasonable likelihood, in the reasonable judgment of the Company, of affecting the extension of credit by banks or other lending institutions in the United States, London, Hong Kong, Singapore or the PRC;
  - g) any material disruption has occurred in securities settlement or clearance services in the United States, London, Hong Kong, Singapore or the PRC;
  - h) any amalgamation, merger, acquisition or other business combination proposal involving us shall have been proposed, announced or made by any person or entity;
  - i) any material adverse change in the United States, London, Hong Kong, Singapore or the PRC securities or financial markets generally; or
  - j) in the case of any of the foregoing existing at the time of the commencement of the Exchange Offer, a material acceleration or worsening thereof;
- (4) the Old Notes Trustee shall not have objected in any respect to, nor have taken any action that could in our reasonable judgment adversely affect the consummation of, the Exchange Offer or the exchange of Old Notes under the Exchange Offer nor shall the Old Notes Trustee have taken any action that challenges the validity or effectiveness of the procedures used by us in making the Exchange Offer or the exchange of the Old Notes under the Exchange Offer; and
- (5) no action or event shall have occurred or been threatened (including a default under an agreement, indenture or other instrument or obligation to which we or one of our affiliates is a party or by which we or one of our affiliates is bound), nor shall any action, proceeding, application, claim, counterclaim or investigation (whether formal or informal) be pending or have been taken, nor shall any statute, rule, regulation, judgment, order, stay, decree or injunction have been proposed, promulgated, enacted, entered, enforced or deemed to be applicable to the Exchange Offer, by or before any court or governmental, regulatory or administrative agency or instrumentality, domestic or foreign, authority or tribunal, or by any other person, domestic or foreign, that either:
- a) challenges the Exchange Offer or might, directly or indirectly, prohibit, prevent, restrict or delay consummation of, or might otherwise adversely affect in any material manner, the Exchange Offer; or
  - b) in our reasonable judgment, could materially impair the contemplated benefits to us of the Exchange Offer, or might be material to the Eligible Holders in deciding whether to tender their Old Notes.

The foregoing conditions, except for condition (1), are for our sole benefit and may be waived by us, in whole or in part, at our absolute discretion. Any determination made by us concerning an event, development or circumstance described or referred to above will be conclusive and binding. Our failure at any time to exercise any of our rights will not be deemed a waiver of any other right, and each right will be deemed an ongoing right which may be asserted at any time and from time to time.

If any of the exchange general conditions are not satisfied, we may, at any time prior to the Settlement Date, subject to applicable law:

- terminate the Exchange Offer and return all tendered Old Notes;

- modify, extend or otherwise amend the Exchange Offer and retain all tendered Old Notes until the Exchange Expiration Deadline, as such date may be extended; or
- waive any unsatisfied conditions and accept Old Notes tendered pursuant to the Exchange Offer. The Minimum Acceptance Amount cannot be amended or waived. If we receive valid tenders of the Old Notes for less than the Minimum Acceptance Amount, we will not proceed with the Exchange Offer and the Exchange Offer shall lapse automatically and any Old Notes validly tendered will be promptly returned to the account of such Holder.

### **Future Purchases and Exchanges of Old Notes by Us**

Following the consummation of the Exchange Offer, we may acquire additional Old Notes that remain outstanding in the open market, in privately negotiated transactions, in new exchange offers, by redemption or otherwise. Future purchases, exchanges or redemptions of Old Notes that remain outstanding after the Exchange Offer may be on terms that are more or less favorable than the Exchange Offer. Future purchases, exchanges and redemptions, if any, will depend on many factors, which include market conditions and the condition of our business.

### **Certain Consequences to Holders Not Participating in the Exchange Offer**

Consummation of the Exchange Offer may have adverse consequences to the Holders who elect not to participate in respect of all or part of their Old Notes or for the Holders who participate but for whom certain of their Old Notes tendered were not accepted for exchange. In particular, the trading market for Old Notes that are not exchanged could become more limited than the existing trading market for the Old Notes and could cease to exist altogether due to the reduction in the amount of the Old Notes outstanding upon consummation of the Exchange Offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of the Old Notes. See "*Risk Factors — Risks Relating to the Exchange Offer.*"

### **Effect of Tender**

Any tender by a Holder (and our subsequent acceptance of such tender) will constitute a binding agreement between that Holder, the Company and the Subsidiary Guarantors, upon the terms and subject to the conditions of the Exchange Offer described in this Exchange Offer Memorandum. The acceptance of the Exchange Offer by a tendering Holder will constitute a binding agreement by that Holder to the covenants and the making of the representations and warranties contained herein.

### **Representations, Warranties and Covenants of the Holders**

#### ***Representations, warranties and covenants of each Eligible Holder***

Upon instruction to tender the Old Notes, which will be irrevocable, and subject to the terms and conditions of the Exchange Offer generally, each Eligible Holder will be deemed, among other things, to:

- (1) irrevocably sell, assign and transfer to or upon our order or the order of our nominee, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of such Holder's status as a Holder of, all Old Notes tendered thereby, such that thereafter it shall have no contractual or other rights or claims in law or in equity against the Company, the Subsidiary Guarantors, the Old Notes Trustee or any fiduciary, trustee, fiscal agent, security agent or other person connected with the Old Notes arising under, from or in connection with such Old Notes;
- (2) assume all the risks inherent in participating in the Exchange Offer and has undertaken an appropriate analysis of the implications of the Exchange Offer without reliance on the Company, the Sole Dealer Advisor or the Information and Exchange Agent;
- (3) waive any and all rights with respect to the Old Notes tendered thereby (including, without limitation, any existing or past defaults and their consequences in respect of such Old Notes); and

- (4) release and discharge the Company, each Subsidiary Guarantor, each JV Subsidiary Guarantor (if any), the Old Notes Trustee or any fiduciary, trustee, fiscal agent, security agent or other person connected with the Old Notes from any and all claims such Holder may have (now or in the future), arising out of or relating to the Old Notes tendered thereby, including, without limitation, any claims that such Holder is entitled to receive additional principal or interest payments with respect to the Old Notes tendered thereby (other than as expressly provided in this Exchange Offer Memorandum) or to participate in any redemption or defeasance of the Old Notes tendered thereby.

In addition, such Eligible Holder will be deemed to represent, warrant and undertake that:

- (1) it has received and reviewed this Exchange Offer Memorandum including the terms of the New Notes set out in this Exchange Offer Memorandum;
- (2) it is the beneficial owner (as defined below) of, or a duly authorized representative of one or more such beneficial owners of, the Old Notes tendered thereby;
- (3) it (i) has not received or been sent copies of this Exchange Offer Memorandum or any related documents in, into or from the United States, (ii) is not a U.S. person and is not located in the United States, (iii) is not an agent, fiduciary or other intermediary acting on a nondiscretionary basis for a principal who has given instructions with respect of the Exchange Offer on behalf of a U.S. person or from within the United States, (iv) has not otherwise utilized in connection with the Exchange Offer, directly or indirectly, the mails, or any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, email and other forms of electronic transmission) of interstate or foreign commerce, or of any facilities of a national securities exchange, of the United States and (v) is offering to exchange the Old Notes from outside the United States;
- (4) it acknowledges that the Exchange Offer is subject to the restrictions set out in the section entitled "Offer and Distribution Restrictions;"
- (5) it acknowledges that the New Notes to be exchanged for the Old Notes tendered for exchange hereby have not been registered under the Securities Act and may only be sold or otherwise transferred subject to the restrictions set out in the section entitled "*Notice to Investors*".
- (6) it is not located or resident in the United Kingdom or, if it is located or resident in the United Kingdom, it is a person falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Promotion Order) or within Article 43(2) of the Financial Promotion Order, or to whom this Exchange Offer Memorandum and any other documents or materials relating to the Exchange Offer may otherwise lawfully be communicated in accordance with the Financial Promotion Order;
- (7) it is not a person to whom it is unlawful to make an invitation to participate in, or solicit a tender pursuant to, the Exchange Offer under applicable securities laws;
- (8) the Old Notes being tendered thereby were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and we will acquire good, indefeasible and unencumbered title to such Old Notes, free and clear of all liens charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same;
- (9) it will not sell, pledge, hypothecate or otherwise encumber or transfer any Old Notes tendered thereby and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
- (10) none of the Company and its subsidiaries, and their respective affiliates, agents and representatives, the Sole Dealer Advisor, the Information and Exchange Agent, the Trustees, the Paying and Transfer Agent, or the Registrar under the Old Notes and the New Notes has given it any information with respect to the Exchange Offer save as expressly set forth in this Exchange Offer Memorandum, nor has any of them made any recommendation to it as to whether it should participate in the Exchange Offer and it has

read and understood this Exchange Offer Memorandum and has made its own decision with regard to participating in the Exchange Offer based on any legal, tax or financial advice it has deemed necessary to seek and in evaluating the Exchange Offer and in making its decision whether to participate therein by tendering its Old Notes, such Eligible Holder has made its own independent evaluation of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to such Eligible Holder by the Company, and its subsidiaries, and their respective affiliates, agents and representatives, the Sole Dealer Advisor, the Information and Exchange Agent, the Trustees, the Paying and Transfer Agent and the Registrar under the Old Notes and the New Notes other than those contained in this Exchange Offer Memorandum (as amended or supplemented to the Exchange Expiration Deadline);

- (11) the delivery of an electronic instruction to the relevant Clearing System shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with the Exchange Offer, in each case on and subject to the terms and conditions set out or referred to in this Exchange Offer Memorandum;
- (12) the delivery of an electronic instruction to the relevant Clearing System shall constitute (subject to the terms and conditions of the Exchange Offer generally) the appointment of the Information and Exchange Agent, as its attorney and agent, and an instruction to such attorney and agent (such appointment and instruction to be irrevocable) to complete and execute all or any form(s) of transfer and other document(s) at the discretion of such attorney and agent in relation to the Old Notes tendered thereby in favor of the Company or such other person or persons as the Company may direct, and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's discretion and/or the certificate(s) and other documents of title relating to such Old Notes' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Exchange Offer, and to vest in the Company or their nominees such Old Notes;
- (13) the terms and conditions of the Exchange Offer, shall be deemed to be incorporated in, and form a part of, the electronic instruction, which shall be read and construed accordingly;
- (14) by delivering an electronic instruction with respect to its Old Notes through Euroclear or Clearstream, it consents to the disclosure by Euroclear or Clearstream of certain details concerning its identity, the aggregate principal amount of such Old Notes and the account details to the Information and Exchange Agent;
- (15) it understands that the Exchange Offer Memorandum has not been and will not be registered as a prospectus with the MAS under the SFA, and accordingly, the Exchange Offer Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes may not be circulated or distributed, nor may the New Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person 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 or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA;
- (16) it understands that the New Notes and the applicable Subsidiary Guarantees have not been and will not be registered under the Securities Act or any state securities laws in the United States. It understands that subject to certain exceptions, the New Notes and the applicable Subsidiary Guarantees and JV Subsidiary Guarantees (as such terms are defined in "*Description of the New Notes*"), if any, may not be offered or sold to or for the account of any U.S. person or within the United States or to any national, resident or citizen of the United States;



- (17) it has not distributed or forwarded this Exchange Offer Memorandum, or any part thereof, or any other documents or materials relating to the Exchange Offer to any person, and it has complied with all relevant laws and regulations applicable to it for the purpose of its participation in the Exchange Offer;
- (18) no information has been provided by the Company, and its subsidiaries and their respective affiliates, agents and representatives, by the Sole Dealer Advisor, the Information and Exchange Agent, the Old Notes Trustee, the New Notes Trustee, the Paying and Transfer Agent and the Registrar under the Old Notes and the New Notes with regard to the tax consequences to the Holders arising from the receipt of the Exchange Consideration or the New Notes (except for general information contained in this Exchange Offer Memorandum), and acknowledges that it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its participation in the Exchange Offer and agrees that it will not and does not have any right of recourse (whether by way of reimbursements, indemnity or otherwise) against the Company or any of its subsidiaries, the Sole Dealer Advisor, the Information and Exchange Agent, the Trustees, the Paying and Transfer Agent, the Registrar or any other person in respect of such taxes and payments;
- (19) it is not acquiring the New Notes with a view towards any distribution thereof in a transaction that would violate the Securities Act or the securities laws of any state of the United States or any other applicable jurisdiction; **provided that** the disposition of its property and the property of any accounts for which it is acting as fiduciary will remain at all times within its control;
- (20) it is an Eligible Holder;
- (21) it acknowledges that each New Note will contain a legend substantially in the following form:

THIS SECURITY 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 SECURITY 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. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

If a Holder receives the New Notes in the Exchange Offer, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these New Notes as well as to holders of these New Notes;

- (22) it has observed the laws of all relevant jurisdictions applicable to it, obtained all requisite governmental exchange control or other required consents, complied with all requisite formalities and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any offer or acceptance in any jurisdiction and it has not taken or omitted to take any action in breach of the terms of the Exchange Offer or which will or may result in the Company, the Sole Dealer Advisor, the Information and Exchange Agent, the Trustees, the Paying and Transfer Agent or the Registrar under the Old Notes and the New Notes or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Exchange Offer or invitation for Holders to offer to exchange Old Notes in connection therewith;
- (23) all authority conferred or agreed to be conferred pursuant to its representations, warranties and undertakings and all of its obligations shall be binding upon its successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives and shall not be affected by, and shall survive, its death or incapacity;

- (24) it is not a Sanctions Restricted Person or a person to whom it is unlawful to make an invitation under the Exchange Offer under applicable laws.

"**Sanctions Authority**" means each of:

- (a) the United States government;
- (b) the United Nations;
- (c) the European Union (or any of its member states);
- (d) the United Kingdom; and
- (e) any other relevant governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions,

or the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the US Department of the Treasury, the U.S. Department of Defense, the United States Department of State, the United States Department of Commerce, Her Majesty's Treasury and the United Nations Security Council.

"**Sanctions Restricted Person**" means an individual or an entity (a "**Person**"):

- (a) that is, or is owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>), (ii) the Foreign Sanctions Evaders List (which as at the date hereof can be found at <http://www.treasury.gov/ofac/downloads/fse/fselist.pdf>) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: [http://eeas.europa.eu/cfsp/sanctions/consol-list/index\\_en.htm](http://eeas.europa.eu/cfsp/sanctions/consol-list/index_en.htm)); or
- (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than:
  - (i) solely by virtue of their inclusion in: (i) the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: [http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/ssi\\_list.aspx](http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/ssi_list.aspx)) (the "**SSI List**"), (ii) Annexes III, IV, V and VI of Council Regulation No.833/2014, as amended by Council Regulations No. 960/2014, 2015/1797 and 2017/2212 (the "**EU Annexes**"), or (iii) any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes; or
  - (ii) solely by virtue of: (i) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; or (ii) them being a "Chinese Military-Industrial Complex Company" as defined by the U.S. Department of the Treasury's Office of Foreign Assets Control which are subject to U.S. Executive Order 13959, as amended by U.S. Executive Order 14032, which restricts U.S. persons from trading the publicly-traded securities and derivatives of such entities.

Each Eligible Holder that submits an electronic instruction will also be deemed to represent, warrant and agree with respect to the transfer restrictions as set forth under the section entitled "*Notice to Investors*" in this Exchange Offer Memorandum.

The representations and warranties and agreements of a Holder tendering Old Notes shall be deemed to be repeated and reconfirmed on and as of the Exchange Expiration Deadline and the Settlement

Date. For the purposes of this Exchange Offer Memorandum, the "**beneficial owner**" of any Old Notes shall mean any Holder that exercises sole investment discretion with respect to such Old Notes.

### **Procedures for Tendering Old Notes**

To participate in the Exchange Offer, a Holder must validly tender its Old Notes for exchange pursuant to the Exchange Offer prior to the Exchange Expiration Deadline pursuant to the procedures described below.

#### ***General***

To meet the deadlines referred to in this Exchange Offer Memorandum, custodians, nominees and the relevant Clearing System may require you to act on a date prior to the Exchange Expiration Deadline. Additionally, they may require further information in order to process all requests to tender. Eligible Holders are urged to contact their custodians or the relevant Clearing System as soon as possible to ensure compliance with their procedures and deadlines.

In the case of the Exchange Offer, the method of delivery of the Old Notes and all other required documents to the Information and Exchange Agent is at the election and risk of the Eligible Holder. The Eligible Holder should allow sufficient time to assure delivery to and receipt by the Information and Exchange Agent prior to the Exchange Expiration Deadline.

Questions about the terms of the Exchange Offer should be directed to the Sole Dealer Advisor. If you have questions regarding tender procedures or require additional copies of this Exchange Offer Memorandum, please contact the Information and Exchange Agent. Contact information for the Sole Dealer Advisor and the Information and Exchange Agent are set forth on the back cover of this Exchange Offer Memorandum. Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee or custodian for assistance concerning the Exchange Offer.

#### ***Responsibility for Delivery of Exchange Instructions***

- (a) None of the Company, the Sole Dealer Advisor, the Trustees, the Paying and Transfer Agent, the Registrar or the Information and Exchange Agent will be responsible for the communication of the Exchange Offer and corresponding instructions by:
  - (i) beneficial holders to the direct participant through which they hold the Old Notes; or
  - (ii) the direct participant to Euroclear or Clearstream, as applicable.
- (b) If a beneficial holder holds its Old Notes through a direct participant, such beneficial owner should contact (through any relevant intermediary, if applicable) that direct participant to discuss the manner in which the Exchange Offer and transmission of the corresponding instruction(s) may be made on its behalf.
- (c) Holders, direct participants and beneficial holders are solely responsible for arranging the timely delivery of their instruction(s).
- (d) If a beneficial holder holds its Old Notes through any intermediary and/or a direct participant, such beneficial owner should consult with that intermediary and/or direct participant as to whether it will charge any service fees in connection with the participation in the Exchange Offer.

#### ***Procedures for Tendering Old Notes***

If you are an Eligible Holder and you wish to tender your Old Notes for exchange pursuant to the Exchange Offer, you may accept the Exchange Offer prior to the Exchange Expiration Deadline by submitting a valid electronic instruction to the relevant Clearing System in accordance with the requirements of the relevant Clearing System.

To tender Old Notes pursuant to the Exchange Offer, a beneficial owner should deliver, or arrange to have delivered on its behalf, via Euroclear or Clearstream, as applicable, and in accordance with the requirements of Euroclear or Clearstream, as applicable, a valid tender instruction that is received by the Information and Exchange Agent by the Exchange Expiration Deadline. Tender instructions must be

submitted in respect of a minimum nominal amount of Old Notes of any relevant series of no less than the minimum denomination of each series (being US\$200,000), and may thereafter be submitted in integral multiples of US\$1,000; **provided that**, a holder may only elect to exchange its Old Notes to New Notes if the principal amount of each New Note to be issued as a result of such election shall be in a minimum amount of US\$200,000 and in integral multiples of US\$1,000; **provided further that**, if a holder shall elect to partially exchange its Old Notes into New Notes, the principal amount of each retained Old Note must be in a minimum amount of US\$200,000.

By submitting an electronic instruction in accordance with the requirements of the relevant Clearing System, you shall be deemed to represent, warrant and undertake the following to the Company, the Sole Dealer Advisor, the Information and Exchange Agent, the Trustees, the Paying and Transfer Agent and the Registrar under the Old Notes and the New Notes on each of the Exchange Expiration Deadline and the Settlement Date:

- that you wish to receive the New Notes under the terms of the Exchange Offer;
- that you are a person located outside the United States and not a U.S. person (with the meaning of Regulation S under the Securities Act);
- the accuracy of your name and securities account number at the relevant Clearing System in which you hold the Old Notes and to which the New Notes are to be credited;
- you have authorized the relevant Clearing System to block your position in the Old Notes until the Settlement Date or termination or withdrawal of the Exchange Offer; and
- that you consent to the disclosure by Euroclear or Clearstream of certain details concerning your identity, the aggregate principal amount of such Old Notes and the account details to the Information and Exchange Agent.

Your acceptance of the Exchange Offer will constitute a binding agreement between you and us in accordance with the terms, and subject to the conditions, set forth herein and in the electronic instruction. Such acceptance will be binding upon receipt by the relevant Clearing System of a valid electronic instruction in respect of all matters except your tender of the Old Notes for exchange, which will be binding immediately.

By submitting a valid electronic instruction to the relevant Clearing System, you are deemed to represent, warrant and undertake to the Company, the Sole Dealer Advisor, the Information and Exchange Agent, the Old Notes Trustee, and the Paying and Transfer Agent and the Registrar of the Old Notes that:

- you have received, reviewed and accepted the terms of this Exchange Offer Memorandum, the terms of the New Notes and the "*Notice to Investors*";
- you currently hold the Old Notes at the time of submission of an electronic instruction, and will continue to hold the Old Notes, until the time of settlement on the Settlement Date or the termination of the Exchange Offer;
- you have blocked the Old Notes (and they will remain blocked) in the securities account to which such Old Notes are credited in the relevant Clearing System with effect from, and including, the date on which the relevant Clearing System receives the electronic instruction until the time of settlement on the Settlement Date or termination of the Exchange Offer, all in accordance with the normal procedures of the relevant Clearing System and after taking into account the deadlines imposed by the relevant Clearing System;
- you will transfer the Old Notes which are the subject of the electronic instruction, on the Settlement Date, with full title, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and we will acquire good, indefeasible and unencumbered title to such Old Notes, free and clear of all liens charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same; and

- (i) you are the beneficial owner of, or are a duly authorized representative of one or more such beneficial owners of, the Old Notes and you and they are not located in the United States of America at the time you submitted the electronic instruction and (ii) if you are acting in a fiduciary, agency or other capacity as an intermediary, then either (x) you have full investment discretion with respect to the Old Notes covered by the electronic instruction or (y) the person on whose behalf you are acting is a non-U.S. person located outside the United States of America at the time he or she instructed you to accept the Exchange Offer.

**If you are unable to give any of the representations and warranties described above, please contact the Sole Dealer Advisor. Do not send Old Notes or electronic instructions to the Sole Dealer Advisor, the Company, the Old Notes Trustee, the Paying and Transfer Agent or Registrar under the Old Notes, or the Information and Exchange Agent.**

*Beneficial owners are advised to check with any bank, securities broker or other intermediary through which they hold Old Notes when such intermediary would need to receive instructions from a beneficial owner in order for that beneficial owner to be able to participate in an exchange offer by the Exchange Expiration Deadline specified in this Exchange Offer Memorandum. **The deadlines set by any such intermediary and Euroclear or Clearstream, as applicable, for the submission of tender instructions will be earlier than the Exchange Expiration Deadline specified in this Exchange Offer Memorandum.***

**Only direct participants of Euroclear and Clearstream may submit Instructions to Euroclear and Clearstream. Each beneficial owner of Old Notes that is not a direct participant of Euroclear or Clearstream must arrange for the direct participant through which such beneficial owner holds its Old Notes to submit a valid Instruction on its behalf to Euroclear or Clearstream, as applicable, before the deadlines specified by Euroclear or Clearstream, as applicable.**

Instructions in connection with the Exchange Offer are irrevocable.

Old Notes accepted pursuant to the Exchange Offer will be exchanged on the Settlement Date and will subsequently be cancelled.

A beneficial owner wishing to participate in the Exchange Offer must submit, or arrange to have submitted on its behalf, at or before the Exchange Expiration Deadline and before the deadlines set by Euroclear or Clearstream, as applicable (unless the Exchange Offer is terminated earlier), a duly completed Instruction to the Euroclear or Clearstream, as applicable.

The submission of Old Notes for exchange will be deemed to have occurred upon receipt by Euroclear or Clearstream, as applicable, of a valid Instruction in accordance with the requirements of Euroclear or Clearstream, as applicable. The receipt of such Instruction by Euroclear or Clearstream, as applicable, will be acknowledged in accordance with the standard practices of Euroclear or Clearstream, as applicable, and will result in the blocking of such Old Notes in Euroclear or Clearstream, as applicable, so that no transfers may be effected in relation to such Old Notes.

By submitting an Instruction in respect of the Exchange Offer, the relevant holder will be deemed to have confirmed (i) that such holder wishes to participate in the Exchange Offer for the aggregate principal amount of the Old Notes specified in the Instruction, (ii) the name of the holder or the relevant direct participant and the securities account number at Euroclear or Clearstream, as applicable, in which the Old Notes are held, and (iii) that the New Notes and any cash payments are to be credited to the securities account and cash account numbers, respectively, at Euroclear or Clearstream, as applicable, in which the Old Notes are held.

#### **Determination of Validity**

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any tendered Old Notes pursuant to any of the procedures described above, and the form and validity of all documents will be determined by us in our sole discretion, which determination will be final and binding absent a finding to the contrary by a court of competent jurisdiction. We reserve the absolute right to reject any or all tenders of any Old Notes determined by us not to be in proper form, or if the acceptance of or exchange of such Old Notes may, in the opinion of our counsel, be unlawful or result in a breach of contract.

A waiver of any defect or irregularity with respect to the tender of one Old Note shall not constitute a waiver of the same or any other defect or irregularity with respect to the tender of any other Old Notes.

Your tender of the Old Notes will not be deemed to have been validly made until all defects or irregularities in your tender and delivery have been cured or waived. None of us, the Sole Dealer Advisor, the Information and Exchange Agent, the Old Notes Trustee, the Paying and Transfer Agent and the Registrar of the Old Notes or any other person or entity is under any duty to give notification of any defects or irregularities in any tender of any Old Notes, or will incur any liability for failure to give any such notification.

#### **Withdrawal of Tenders**

Instructions in connection with the Exchange Offer are irrevocable. Tenders of Old Notes are irrevocable upon delivery and may not be withdrawn at any time, unless required under any applicable laws. However, if not previously returned, you may withdraw any Old Notes tendered in the Exchange Offer that are not accepted by us for exchange after the Exchange Expiration Deadline. Any such withdrawn Old Notes will be credited to the tendering Holder's account at Euroclear or Clearstream or such other account as designated in the tender instructions, as promptly as practicable after the expiration or termination of the Exchange Offer.

If we terminate the Exchange Offer without accepting any tender instructions, all tender instructions for the Old Notes shall automatically be deemed to be withdrawn. If we do not accept any tender instructions, any tender instruction not so accepted shall automatically be deemed to be withdrawn.

#### **No Participation by the Company or its Subsidiaries**

The Company and its subsidiaries may not submit any electronic instructions.

#### **No Guaranteed Delivery**

There are no guaranteed delivery procedures provided by the Company or any other entity making payments on behalf of the Company in connection with the Exchange Offer. Eligible Holders must tender their Old Notes in accordance with the procedures set forth herein.

#### **The Old Notes Trustee**

In accordance with market practice, the Old Notes Trustee expresses no opinion on the terms of the Exchange Offer. The Old Notes Trustee has not been involved in formulating the terms of the Exchange Offer, and makes no representation or warranty that all relevant information has been disclosed to the Holders herein or that the information contained herein is accurate or complete. Each Holder is responsible for assessing the merits and suitability of the Exchange Offer and confirms that it has not relied on the Old Notes Trustee in respect of the Exchange Offer. Accordingly, the Holders should seek their own independent financial or legal advice with regard to the impact of the implementation of the Exchange Offer.

An Eligible Holder participating in the Exchange Offer will be required to certify its investor profile when it submits instructions for the Exchange Offer. An Eligible Holder's certification of its investor profile does not affect any of its entitlements with respect to the Old Notes it holds.

Instructions in connection with the Exchange Offer are irrevocable. Eligible Holders may not withdraw instructions at any time once delivered in accordance with the terms herein, unless required under any applicable laws.

#### **Information and Exchange Agent**

D.F. King Ltd. has been appointed as the Information and Exchange Agent for the Exchange Offer. Questions concerning tender procedures and requests for additional copies of this Exchange Offer Memorandum should be directed to the Information and Exchange Agent at the address and telephone numbers listed on the back cover of this Exchange Offer Memorandum. Holders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Exchange Offer. We will pay the Information and Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses. We have agreed to indemnify the Information and Exchange Agent against certain liabilities, including liabilities arising under the federal securities laws.

## **Sole Dealer Advisor**

We have retained CMB International Capital Limited to act as the Sole Dealer Advisor for the Exchange Offer. We have agreed to pay a fee to the Sole Dealer Advisor for soliciting acceptances of the Exchange Offer. We will reimburse the Sole Dealer Advisor for its reasonable out-of-pocket expenses, including the reasonable expenses and disbursements of its legal counsel. The obligations of the Sole Dealer Advisor to perform its functions are subject to various conditions. We have agreed to indemnify the Sole Dealer Advisor against various liabilities, including various liabilities in respect of any breach by us of the federal securities laws. Questions regarding the terms of the Exchange Offer may be directed to Sole Dealer Advisor at their applicable address and telephone number listed on the back cover of this Exchange Offer Memorandum.

The Sole Dealer Advisor and certain of its affiliates may have provided, from time to time, and in the future may provide, certain commercial banking, investment banking and financial advisory services to us and our affiliates, for which they have received, and in the future will receive, customary fees. In addition, the Sole Dealer Advisor and its affiliates may have owned, currently own or may own, equity or equity-like securities of us. The Sole Dealer Advisor or its affiliates are acting as an "initial purchaser" for the offering of the New Notes for cash. See "*Plan of Distribution*."

In the ordinary course of their businesses, the Sole Dealer Advisor or its affiliates may at any time hold long or short positions, and may trade for their own account or the accounts of customers, in our securities, including in the Old Notes. To the extent that the Sole Dealer Advisor or its affiliates own Old Notes during the Exchange Offer, they may tender such Old Notes pursuant to the terms of the Exchange Offer. Such participation, if any, will be on the same terms and subject to the same conditions set forth in this Exchange Offer Memorandum applicable to other Holders.

The Sole Dealer Advisor may submit instructions for its own account and, subject to offer and distribution restrictions, on behalf of other Holders.

## **Announcements**

The announcement of the commencement of the Exchange Offer, the final aggregate principal amount of Old Notes tendered and accepted for exchange and the settlement of the Exchange Offer will be released via the Exchange Website, the website of the SEHK and the SGX-ST and through Euroclear or Clearstream, and will occur as specified in the section entitled "Indicative Timetable" unless otherwise extended or amended. Significant delays may be experienced in publishing notices through Euroclear or Clearstream and the Holders are urged therefore to contact the Sole Dealer Advisor or the Information and Exchange Agent for the relevant announcements. All announcements will be made available upon release at the offices of the Information and Exchange Agent in London and Hong Kong.

The Company and the Information and Exchange Agent will announce the outcome of the Exchange Offer on the dates set out in the section entitled "Indicative Timetable" and the section entitled "Description of the Exchange Offer."

## **Other Fees and Expenses**

We will bear the fees and expenses of soliciting tenders for the Exchange Offer. Tendering Holders will not be required to pay any fee or commission to the Sole Dealer Advisor or the Information and Exchange Agent. If, however, a tendering Holder handles the transaction through its broker, dealer, commercial bank, trust company or other nominee, that Holder may be required to pay brokerage fees or commissions.

## **Transfer Taxes**

We will pay all transfer taxes, if any, applicable to the exchange of the Old Notes pursuant to the Exchange Offer. The tendering Holder, however, will be required to pay any transfer taxes, whether imposed on the registered Holder or any other person, if:

- certificates representing the Old Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered Holder tendered;

- tendered Old Notes are registered in the name of any person other than the person signing the documents; or
- a transfer tax is imposed for any reason other than the exchange of the Old Notes under the Exchange Offer.

If satisfactory evidence of payment of transfer taxes is not submitted with the tendered Old Notes, the amount of any transfer taxes will be billed to the tendering Holder.

#### **Source of Funds for the Exchange Offer**

We intend to fund all cash payments to Holders pursuant to the Exchange Offer, represented by the cash portion of the Exchange Consideration and any cash payments for fractional portions of the New Notes.

#### **Governing Law and Jurisdiction**

The Exchange Offer, and any documents delivered in connection therewith, will be governed by and construed in accordance with the laws of the State of New York. By submitting an instruction to tender, an Eligible Holder of Old Notes irrevocably and unconditionally agrees for our benefit and for the benefit of the Information and Exchange Agent and the Sole Dealer Advisor that the federal or state courts of The Borough of Manhattan in the City and State of New York, United States of America shall have jurisdiction to settle any disputes which may arise out of or in connection with the Exchange Offer or any of the documents referred to above and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.



## EXCHANGE RATE INFORMATION

### China

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 previous day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial 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 currencies for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PBOC has enlarged the floating band several times since then to increase the Chinese currency's exchange rate flexibility. The PRC government may, in the future, make further adjustments to the exchange rate system. The PBOC authorized the China Foreign Exchange Trading Centre, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the following business day. On August 11, 2015, the PBOC announced an adjustment to the central parity mechanism of quoting Renminbi RMB against the U.S. dollar, as a step towards allowing a more market-based determination of the Renminbi exchange rate. In May 2017, in order to moderately hedge the cyclical fluctuations in market sentiment, the core members of the foreign exchange market self-regulatory mechanism adjusted the RMB-to-U.S. dollar exchange rate quotation model from the original "closing price + a basket of currency exchange rate changes" to "closing price + a basket of currency exchange rate changes + counter-cyclic factor" based on the principle of marketization. In January 2018, as China's cross-border capital flows and foreign exchange supply and demand became more balanced, the banks which quote the central parity rate of RMB-to-U.S. dollar exchange rate successively adjusted the "counter-cyclic factor" to neutral based on their own judgments on economic fundamentals and market conditions. The PRC government may make further adjustments to the exchange rate system in the future.

The following table sets forth the low, average, high and period-end noon buying rate in New York City for cable transfers in Renminbi per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

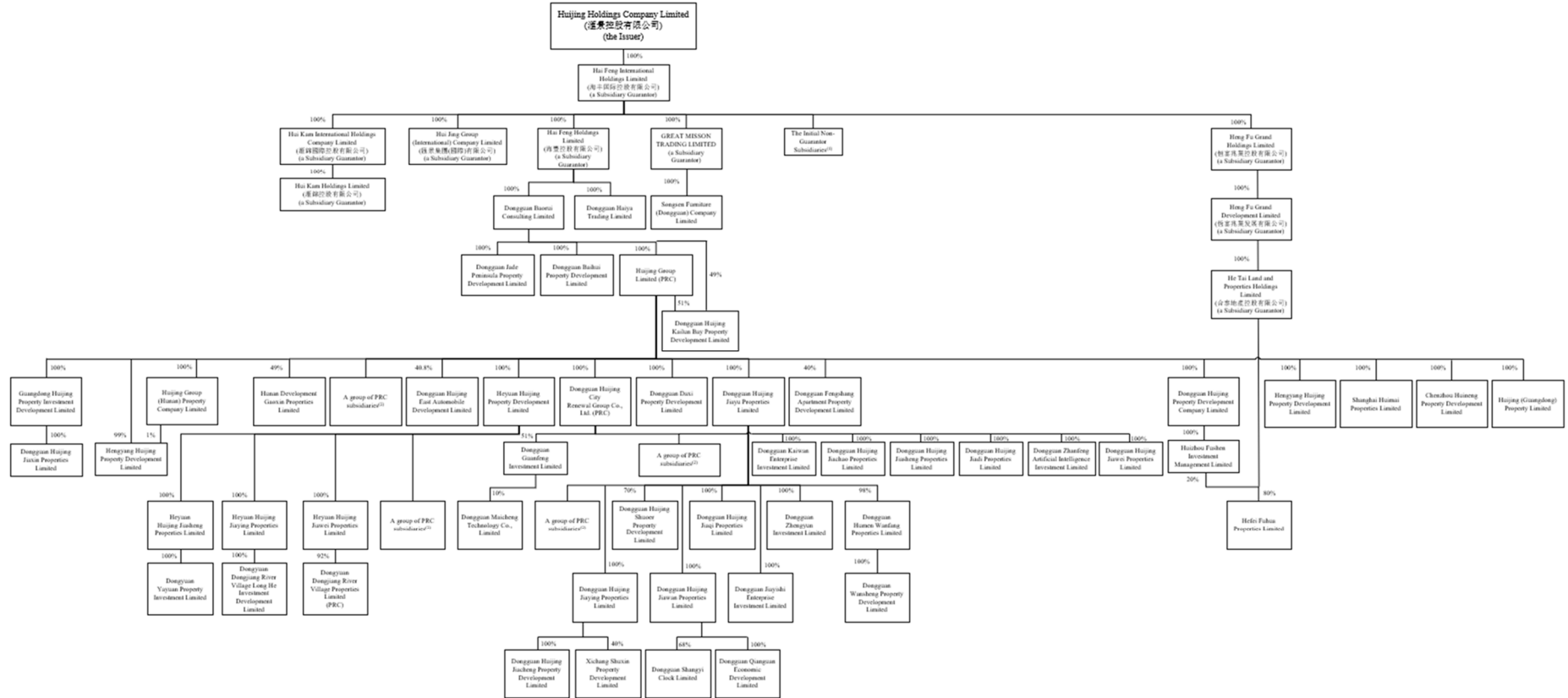
	Noon buying rate			
	Period End	Average <sup>(1)</sup>	High	Low
		<i>(RMB per US\$1.00)</i>		
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7569	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.9042	7.1681	6.5208
2021	6.3726	6.4382	6.5716	6.3435
2022				
January	6.3610	6.3556	6.3822	6.3206
February	6.3084	6.3436	6.3660	6.3084
March	6.3393	6.3446	6.3720	6.3116
April	6.6080	6.4310	6.6243	6.3590
May	6.6715	6.6990	6.7880	6.6079
June (until June 24, 2022)	6.6878	6.6944	6.7530	6.6534

<sup>(1)</sup> 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.

Source: Federal Reserve H.10 Statistical Release

## CORPORATE STRUCTURE

The following chart shows our simplified corporate structure as at the date of this Exchange Offer Memorandum:



<sup>(1)</sup> The Initial Non-Guarantor Subsidiaries comprised certain subsidiaries which were established outside the PRC and have no material business operations as at the date of this Exchange Offer Memorandum.

<sup>(2)</sup> The group of companies comprised certain subsidiaries which were established in the PRC and have no material business operations as at the date of this Exchange Offer Memorandum.

## BUSINESS

### OVERVIEW

We are an established integrated residential and commercial property developer in the PRC focusing on the Guangdong and Hunan provinces. We originally began with property projects in Dongguan and have gradually expanded to Heyuan, the Yangtze River Delta Urban Cluster (which includes Anhui Province, Jiangsu Province and Zhejiang Province) and the Yangtze Mid-stream Urban Cluster (which includes Hubei Province, Hunan Province and Jiangxi Province). In 2021, the total contracted sales of our Group, together with our joint venture, achieved a 3.9% year-on-year growth and amounted to RMB8,004.7 million. Having been recognized by the market, we are dedicated to offering quality properties to our customers. We also offer properties promoting specific industries encouraged by local government authorities.

Our property projects comprise residential property projects, integrated property projects and property projects promoting specific industries. Our integrated property projects typically consist of a combination of residential and commercial properties. Our residential properties primarily include apartments, townhouses, mansions and villas. Our commercial properties primarily include retail outlets, shopping malls, offices, and where required by the relevant land grant contract, hotels. Our properties promoting specific industries comprise of our cultural and tourism-healthy living town projects ("文旅康養"項目) and scientific and innovative technologies industrial town projects ("科創產業"項目).

We believe that our strong brand recognition, in particular in Dongguan, together with our land sourcing strategy and cost control measures, have contributed to our growth. For the years ended December 31, 2019, 2020 and 2021, the contracted sales of our Group, together with that of our joint venture, amounted to RMB4,391.7 million, RMB7,705.9 million and RMB8,004.7 million, for the respective periods, and recorded a revenue generated from the sale of properties of approximately RMB3,601.0 million, RMB5,150.0 million and RMB5,305.4 million, for the respective periods. For the years ended December 31, 2019, 2020 and 2021, we recorded contracted sales GFA of 338,370 sq.m., 757,828 sq.m. and 981,997 sq.m., respectively, and our Group, together with our joint venture, has developed and delivered properties with a total GFA of 323,795 sq.m., 578,747 sq.m. and 758,749 sq.m., respectively.

Urban renewal developments have been one of our main focuses. As of December 31, 2021, we had three urban renewal projects for which we had initiated the urban renewal process with the relevant government authorities or had otherwise begun official discussion with the relevant government authority in respect of the proposed application for urban renewal. We also entered into nine agreements as preparatory services providers for nine projects located in Dongguan city with a total site area of 2,229,500 sq.m. as of December 31, 2021. Please refer to the subsection headed "*Our Property Development Operation and Management*" in this section for further details.

We and our property projects have been awarded various accolades from different organizations. In 2021, we were awarded the Listed Company Award of Excellence 2021 (上市公司卓越大獎 2021) by Hong Kong Economic Journal (信報財經新聞), the 2021 Top 100 China Star Real Estate Developers (2021 中國房地產百強之星), the 2021 Top 200 China Real Estate Companies (2021 中國房地產 200 強企業) and the 2021 Top 10 China Guangdong-Hong Kong-Macau Greater Bay Area Real Estate Brand Value (2021 中國粵港澳大灣區房地產公司品牌價值 TOP10) by China Index Academy (中國指數研究院), the 2021 Top 30 Annual Real Estate Developers with Investment Value (2021 年度投資價值地產企業 (30 強)) and the 2021 Top 10 China Newly Listed Real Estate Companies with Best Performance (2021 中國房地產行業新晉上市表現 TOP10) by Guandian Index Academy (觀點指數研究院), as well as the 2021 China Listed Company Brand Value Leaderboard (2021 中國上市公司品牌價值榜) by National Business Daily (每日經濟新聞) and School of Economics and Management, Tsinghua University (清華大學經濟管理學院). Please refer to the subsection headed "*Our Awards*" in this section for further details.

### RECENT DEVELOPMENT

#### *Ongoing COVID-19 Pandemic*

The ongoing COVID-19 pandemic has caused substantial disruptions in the PRC and globally, and has created additional uncertainties to the Group's operating environment. While the spread of COVID-19

has slowed during 2021, spikes of increase in infection levels have occurred in 2022 with an increasing number of COVID-19 cases, including cases involving new COVID-19 variants such as Delta and Omicron, in multiple cities in China. The local authorities of such cities in China have reinstated certain measures to keep COVID-19 in check, including city lockdown, travel restrictions and stay-at-home orders. The resurgence of COVID-19 and the resulting restrictive measures may have negative impact on our business operations, profitability and cash flows. For details about the impact of COVID-19 on the Group, please refer to the sections headed "*Risk Factors – Risks Relating to Our Business and Industry – The occurrence of a severe communicable disease or a pandemic could materially and adversely affect the Group's business operations, financial condition and results of operations.*" and "*Risk Factors – Risks Relating to the PRC – The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.*" In light of such uncertainties, the Group has prioritized the objective of maintaining a healthy cash flow and has adopted the strategy of preserving cash.

#### ***Dividend for the Year Ended December 31, 2021***

For the year ended December 31, 2021, the Company declared a final dividend of HK\$2.48 cents per ordinary share of the Company, amounting to a total dividend of approximately RMB106,351,000.

#### ***New Notes Sales and Purchase Agreement***

The Purchasers and the Guarantors expect to enter into the New Notes Sale and Purchase Agreement with the Seller whereby the Purchasers (failing which, the Guarantors) will agree to (a) purchase US\$10,000,000, US\$10,000,000 and US\$10,000,000 in principal amount of the New Notes that the Seller or its affiliates may acquire pursuant to the Exchange Offer on or prior to October 31, 2022, January 31, 2023 and April 30, 2023, respectively, and (b) purchase all New Notes held by the Seller following the occurrence of either (i) any default or event of default under the New Notes or other debt securities issued by the Company or any of its Subsidiaries (other than the Old Notes or other indebtedness with respect to which any default or event of default occurs as a result of any default or event of default under the Old Notes), or (ii) any event of default under the New Notes Sale and Purchase Agreement, which includes, among other things, the occurrence of any event or circumstance that the Seller determines to have or be reasonably likely to have a material adverse effect with respect to any of the Purchasers or Guarantors, in the case of each of (a) and (b), at a purchase price of 100.00 per cent. of the principal amount of, plus all accrued and unpaid interest on, the New Notes to be purchased, together with any other unpaid amount owed by the Company in respect of such New Notes to the Seller.

### **OUR COMPETITIVE STRENGTHS**

#### **Flexible land acquisition methods and sizeable and quality land reserves**

We adopt a flexible approach toward the selection and acquisition of land for future development to sustain our continued growth. We adopt diversified land acquisition methods depending on the prevailing market conditions to control our land cost including land tenders, acquisition of project companies which possess land parcels, and the establishment of joint ventures with other property developers. We assess the local market conditions, PRC regulations or policy changes and our development goals and adjust our land acquisition methods accordingly. By acquiring land through multiple channels and having a flexible approach, together with our market insight and in-depth understanding of the property market, we are able to quickly react to changing market conditions and capitalize on land acquisition opportunities by employing land acquisition methods which enable us to acquire land at a relatively low cost. We aim to capture opportunities in China's fluctuating land market by avoiding acquisitions when the land prices are high and by engaging in land acquisitions when a low-cost opportunity becomes available. We generally acquire land based on stringent evaluations of market demand, financial and return criteria. We participate in land auctions if proper opportunities emerge, but bid cautiously with strict price limits to ensure that our acquired land prices are not overly expensive.

Leveraging on the Group's in-depth understanding of the property markets in the Greater Bay Area, the Yangtze River Delta Urban Cluster, the Mid-Stream Urban Cluster and the Chengdu-Chongqing Urban Cluster and intensive studies on its target cities, the Group continues to develop and operate property projects at strategic and advantageous locations in those regions. In 2021, the Group also expanded into the east and west regions of China, such as Anhui and Sichuan provinces, to further establish the Group's presence in those markets. As at 31 December 2021, the Group had land reserves amounting to approximately 3,146,831 sq.m., with 21 projects and four parcels of land located in 11 cities in the PRC. In

addition to acquiring land reserves, as of December 31, 2021, we have entered into a total of nine preliminary service agreements with relevant parties, with all related projects located in Dongguan City, covering an area of 2,229,500 sq.m.

### **Our experience in procuring and developing urban renewal projects**

In the 14<sup>th</sup> Five-Year Plan (十四五規劃), the PRC proposed to "accelerate the transformation of urban development, coordinate urban planning and construction management, implement urban renewal actions, and promote the optimization of urban spatial structure and quality improvement". In line with this agenda, urban renewal developments have become an important strategy for the local government in Dongguan to increase land supply, improve urban quality as well as enhance the social-economic development of the city. Although urban renewal developments are typically complex to navigate and time-consuming to execute, we see urban renewal developments as an opportunity to acquire valuable land parcels, as urban renewal allows us access to areas that are relatively urbanized and presents us opportunities to obtain such land with a relatively low upfront cost.

We have been involved in urban renewal projects in Dongguan and have completed or are in the process of developing 12 urban renewal projects of varying size and specifications since 2013. The Group completed the urban renewal process in the Shatian Renzhou project in July 2021, and the Zhangmutou Baoshan project and the Humen Xinwan project are progressing smoothly. Please refer to the subsection headed "*— Our Property Development Operation and Management Research and Investment — Land Acquisition — Our Urban Renewal Projects*" in this section for further information.

We believe that we possess the following advantages in procuring and developing urban renewal projects in Dongguan:

- (i) *Relationship with third party resources* — we have built working relationships with third party professionals and operators, including but not limited to design firms, lawyers, and accountants, which are crucial to urban renewal project development. We believe our relationship with these third parties not only allows us to more effectively compete for and execute urban renewal developments, but also represents a source of information that allows us to gauge the local community's sentiment and/or the government's attitude towards any particular development.
- (ii) *Experienced staff* — we have a dedicated team of nine employees based in Dongguan who are specifically trained and have relevant experience in urban renewal projects and are primarily responsible for procuring and executing urban renewal developments.
- (iii) *Previous experience with property developments* — we have conducted our business in Dongguan for more than 15 years, and have since gained an insight into local sentiment and culture, as well as experience in liaising with local government authorities. We believe such experience is advantageous for us when handling property developments generally and is especially useful in our urban renewal projects, as urban renewal developments typically require a greater level of government cooperation compared to other developments.

### **Ability to control land acquisition costs and construction costs**

Site selection and construction are essential steps in every property project. We believe that our ability to manage and control our costs during land acquisition and property construction has significantly contributed to our success.

### **Ability to identify and acquire quality and cost-competitive land parcels**

The ability to acquire cost-competitive land parcels which are strategically located with growth potential is essential to our continued growth and expansion. For each of the years ended December 31, 2019, 2020 and 2021, our land cost as a percentage of revenue was approximately 13.9%, 19.6%, 22.3%, respectively. We believe the following illustrates our ability to acquire cost-competitive land parcels:

- (i) *Experience and insights on the economic environment and direction of governmental policy* — we believe our experience in the Greater Bay Area has allowed us to more effectively identify and make investments in land parcels in regions and cities which have not seen as much development compared to cities where we already have a foothold. This enables us to adopt a deep-plough

strategy (深耕政策) where we make early investments in areas with significant growth potential before the land parcel of that area increases in value.

- (ii) *Urban renewal projects* — we believe our focus on urban renewal projects enable us to acquire land in more urbanized areas at a relatively lower upfront cost and with less competition when compared to other methods of acquisition.
- (iii) *Market selection and land acquisition policy* — we adopt a market selection strategy with a uniform land acquisition policy. We believe that such policy enables us, amongst other things, to control investment risks when making land acquisition decisions. Please refer to the subsection headed "— *Our Property Development Operation and Management — Research and Investment*" in this section for further information.
- (iv) *Ability to introduce amenities that meet community-driven demands* — we believe our ability to introduce social amenities (such as hotels, shopping outlets, etc.) makes us more competitive when acquiring land compared to other competitive bidders who are only able to offer standardized developments, and therefore leads to lower acquisition costs. Further, such social amenities normally increase the value of the development as well as the future average selling price ("ASP") of the project developed.

We believe our Company's ability to acquire quality, strategically located land reserves on a cost-competitive basis will support the continued, sustainable, and profitable growth of our business.

### **Construction management and cost controls**

Construction represents a significant component of the total cost of a property project and optimizing construction costs directly increases the profitability of our property projects. For each of the years ended December 31, 2019, 2020 and 2021, our construction costs as a percentage of revenue were approximately 34.7%, 42.5%, 36.5% respectively.

We believe we are able to manage our costs as (i) we have built strong relationships with our suppliers over the past years; (ii) we have established a comprehensive cost management system managed by a dedicated team; and (iii) we actively manage the construction period of our developments so as to achieve our targeted completion schedule.

### **Sustainable high profitability**

We have a track record of successfully developing large-scale residential property projects and integrated property projects comprising of residential and commercial properties. Since our establishment in 2004, we have established a foothold in Dongguan, with our focus on Guangdong Province, an area that has experienced significant population and economic growth, enjoying policy benefits as an area highlighted as an area of strategic focus in the PRC's development blueprint. The development of the Greater Bay Area has been referred to by the State Council in its "Guidance on Deepening Regional Cooperation in the Pan-Pearl River Delta Region" (關於深化泛珠三角區域合作的指導意見). Leveraging our success in the Greater Bay Area, we have expanded our operations to the Yangtze Mid-stream Urban Cluster and the Yangtze River Delta Urban Cluster in 2016 and 2017 respectively, where we have targeted opportunities in regional cities which have high growth potential (for example in Hengyang, Changsha, and Hefei, which had respectively experienced GDP growth rates of Compound Annual Growth Rate ("CAGR") of approximately 9.9%, 10.5%, and 11.6% from 2012 to 2017). Of the 28 property projects that we had completed or were underdevelopment as of December 31, 2021, 13 were located in the Greater Bay Area, three were located in the Yangtze Mid-stream Urban Cluster, three were located in Heyuan, four were located in the Yangtze River Delta Urban Cluster and five were located in Sichuan Province.

We have a strong ability to acquire cost-competitive land reserves. With a deep understanding of the PRC real estate market, we select our projects in cities with significant growth potential, including Dongguan, Hefei, Jiaying, Changsha, Hengyang, Heyuan, Xuzhou, Chengdu and Chenzhou. We usually invest in land reserves or projects with considerable growth potential before their value increase, and have frequently obtained the role of preliminary service provider of urban renewal projects at an early stage. With the ability to introduce community development facilities, we are more competitive in land acquisition as compared to traditional real estate developers which are only able to provide basic development projects. Moreover, we have maintained strong relationships with our suppliers and have a professional team to

implement systematic cost management, and we have managed our property projects to ensure timely completion of construction projects to effectively control their cost. The above cost control measures and our high profitability have provided a sound guarantee for any debt incurred by us.

### **Reasonable capital structure and increasing financing ability**

Whilst we are actively diversifying the financing channels of our Group, we also closely monitor financial risks to maintain stable expansion. We maintain good relations with large state-owned and local commercial banks and financial institutions. As of December 31, 2021, we had banking facilities of RMB5,033.6 million from financial institutions, of which RMB1,728.1 million has been utilized. We also actively negotiate with banks to arrange refinancing and our annual short-term financing renewal rate was above 94% each year. We also actively cooperate with various financial institutions, real estate developers and local governments to jointly invest in real estate development projects. In addition, we are actively expanding our stable financing channels by raising funds in domestic as well as overseas capital markets and raising funds through bond issuances and actively adjusting our debt structure in the form of corporate bonds and asset-backed securities. As of December 31, 2021, our corporate trust loan balance only accounted for 23% of the balance of unrelated party interest bearing liabilities. In January 2020, the Company was listed on the Stock Exchange with net raised capital of HK\$1,391.1 million.

### **We have a professional management team with extensive industry experience**

Our success has been, and will continue to be, dependent on our professional and experienced management team members who have in-depth understanding of the real estate industry in the PRC. Our management team members have an average of more than 10 years of experience in the real estate industry, covering key aspects of our operations, such as real estate investment, planning, construction, financing and sales. This diversity of knowledge and expertise has helped us establish strategies for our property projects, respond to the changing markets, make major decisions when entering into new markets, formulate financial policies and minimize risks related to our operations.

Further, we have been able to attract and retain experienced managers for our property projects in the different regions in which we operate. Please refer to the section headed "*Directors and Senior Management*" in this Exchange Offer Memorandum for further details.

We believe our visionary, motivated and stable management team has contributed to our success and will continue to be a critical factor for our expansion and long-term growth.

In addition, we have (i) established a comprehensive remuneration policy that offers competitive compensation and performance-based incentives for our management team; (ii) provided various training programs and courses to enhance employees' professional capabilities; and (iii) offered ample promotion opportunities along with our growing business. We believe all of these measures have enabled us and will continue to enable us to attract and retain qualified and dedicated employees.

## **OUR STRATEGIES**

The Group adheres to the business model of "focusing on residential development projects, while taking the urban renewal projects as the core, as well as the cultural and tourism-healthy living towns and the scientific and innovative technologies industrial towns as the two wings (以住宅開發為主營業務，以城市更新為核心、文旅康養和科創產業為雙翼)", which constitutes its "one focus, one core, and two wings (一主一核兩翼)" blueprint, to enrich the diversity of profit structure and continuously enhance the core competitiveness and sustainable development capability of the Group.

We will adhere to the strategic positioning of "penetrating into Dongguan, maintaining foothold in the Greater Bay Area, and sustaining coverage of the Southern, Central and Eastern China areas (深耕東莞，立足大灣區，佈局華南、華中及華東地區)". With a foothold in Dongguan, we will primarily focus on developments in Guangdong Province and expansion into other regions in the PRC such as the Central China Region.

In line with our business model and to achieve our goal, we intend to implement the following strategies:

### **Continue to pursue urban renewal projects together with cultural and tourism-healthy living town projects and scientific and innovative technologies industrial town projects**

We plan to continue to focus on property projects in the Greater Bay Area, leveraging and reinforcing our experience in urban renewal developments in the Greater Bay Area to increase our presence in the field while at the same time continuing to pursue cultural and tourism-healthy living town projects and scientific and innovative technologies industrial town projects.

With respect to urban renewal projects, we will strengthen our team and differentiate ourselves from traditional real estate developers which bid for properties in a high profile manner, by implementing urban renewal projects in cities with great development potential in the future, so that we can obtain land reserves and projects with cost advantages in a strategic, systematic and efficient manner. We will also accelerate the construction of urban renewal projects for which we have already obtained the relevant land reserves, to achieve our goal of becoming one of the leading real-estate developers in the Greater Bay Area.

As one of the "two wings" of the Group's business model, our science and innovation industry property projects aim to drive regional economic development. Our Huijing Bay Area 5G Smart Manufacturing Port (滙景•灣區 5G 智造港) will help enterprises upgrade and transform, and open a new chapter of a smart factory in Dongguan Eco-environmental Park; our Huijing Industry Zhihui Valley (滙景產業•智匯谷) will contribute to the construction of a comprehensive science and innovation park, and create a science and innovation ecosphere integrating the transformation of scientific and technological achievements, high-end talent apartments, joint office space and commercial support carriers; our Huijing Jiangbian Ancient Village project (滙景•江邊古村項目) will lead a new style of civilization, and will be developed into a tourism resort project with characteristics of villages in Dongguan. Through the advantages accumulated in the real estate industry over the years, the Group will promote the industrialization of artificial intelligence and technological innovation, thereby facilitating the construction of innovative industrial ecosystems.

### **Improve corporate operations and continue to cooperate with entities in emerging industries**

We intend to continue to implement strict risk management and controls, building an internal management and control mechanism and organizational system that matches the Group's development strategy to significantly improve the quality of operations. We will also enrich the value of our products and services, create high-quality projects, and enhance the company's brand and reputation. With respect to cooperation with other entities, we plan to continue to leverage and strengthen our experience in urban renewal and development projects in the Greater Bay Area, by acquiring strategic land reserves in locations that we believe have potential for urban renewal projects to further improve our competitiveness.

### **Optimize corporate financial structure**

While ensuring sufficient land reserves and saleable GFA, we intend to continue to adopt a sound financial strategy to further improve the financial structure and reduce financing costs. We will monitor important financial indicators and prudently manage our capital structure, cash flow and liquidity status. We will also control costs and risks, stabilize and optimize capital structure, and reduce financial expenses. We intend to diversify our financing channels and further optimize capital structure, such as issuing corporate bonds and other debt.

### **Attract, retain and motivate skilled and talented employees**

We believe high-quality employees are essential elements for our sustainable growth. We will continue to attract, retain and develop talent with extensive industry experience and strong execution capabilities through various initiatives. While striving to maintain competitive compensation packages, we offer performance-based incentives to our management team.

To ensure all of our projects are developed in accordance with development plans and our yearly sales targets are met, we have established a performance assessment system based on a comprehensive set of key performance indicators that are aligned to a corresponding compensation structure. Through an assessment conducted every month, employees will be considered for discretionary awards, including but



not limited to, position and salary adjustments and provision of additional training. The assessments are carried out monthly and are applicable to all employees in our Company.

We will continue to try to refine our employee benefits package to retain quality employees. We also offer relevant training to our employees. With a dedicated workforce, we believe we should be well-positioned to expand our business and maximize value for our shareholders.

## OUR AWARDS

Our Group has received the following key awards and recognitions for our property projects:

Recipient	Award/Recognition	Awarding Authority	Year
Huijing Holdings	Listed Company Award of Excellence 2021 (上市公司卓越大獎 2021)	Hong Kong Economic Journal (信報財經新聞)	2021
	2021 Top 100 China Star Real Estate Developers (2021 中國房地產百強之星)	China Index Academy (中國指數研究院)	2021
	2021 Top 200 China Real Estate Companies (2021 中國房地產 200 強企業)	China Index Academy (中國指數研究院)	2021
	2021 Top 10 China Guangdong-Hong Kong-Macau Greater Bay Area Real Estate Brand Value (2021 中國粵港澳大灣區房地產公司品牌價值 TOP10)	China Index Academy (中國指數研究院)	2021
	2021 Top 30 Annual Real Estate Developers with Investment Value (2021 年度投資價值地產企業 (30 強))	Guandian Index Academy (觀點指數研究院)	2021
	2021 Top 10 China Newly Listed Real Estate Companies with Best Performance (2021 中國房地產行業新晉上市表現 TOP10)	Guandian Index Academy (觀點指數研究院)	2021
	2021 China Listed Company Brand Value Leaderboard (2021 中國上市公司品牌價值榜)	National Business Daily (每日經濟新聞) and School of Economics and Management, Tsinghua University (清華大學經濟管理學院)	2021
	Listed Company Award of Excellence 2020 (上市公司卓越大獎 2020)	Hong Kong Economic Journal (信報財經新聞)	2020
	The Outstanding China Property Awards 2020	The Organizing Committee of The	2020

Recipient	Award/Recognition	Awarding Authority	Year
	(2020 優質中國房地產企業大獎)	Outstanding China Property Awards & The Outstanding China Property Management Awards (優質中國房地產企業大獎及優質物業管理大獎)	
	2020 Top 100 China Star Real Estate Developers (2020 中國房地產百強之星)	China Index Academy (中國指數研究院)	2020
Huijing Yanhu International Resort	2019 Eco Living Real Estate Project (2019 年度生態宜居大盤)	LEJU ( 新 浪 樂 居 ), fangqq.com ( 騰 訊 房 產 ), house.163.com ( 網 易 房 產 ), Loupan.com ( 樓 盤 網 ), Hengyang Real Estate Information Association ( 衡 陽 房 地 產 資 訊 網 )	2020
Huijing Global Centre	2019 Changsha Property Market Top 1 in Office Building Sales Rankings (2019 年度長沙樓市寫字樓勁銷榜成交金額TOP1)	0731fdc.com (0731 房產網), 0731 Real Estate Institute, (0731 地產研究院) and Metro TV (地鐵電視)	2020
Hefei Huijing City Centre	The 14 <sup>th</sup> China Real Estate Starlight Award — 2019 Annual Quality Model Real Estate (第十四屆中國地產星光獎·2019 年度品質典範樓盤)	Hong Kong Xingkong Media Holding ( 星 空 傳 媒 ( 香 港 ) 控 股 ) and Hong Kong Real Estate Developers Association ( 亞 洲 地 產 建 築 ( 香 港 ) 商 會 )	2019
Huijing Riverside Villa	China Property Network Starlight Rankings — 2019 Dongguan Best Quality Living Award (中國房地產網路星光榜·2019 年東莞品質宜居獎)	Dongguan fangdr.com (東莞房博士網)	2019
Huijing City Centre	China Property Network Starlight Rankings — 2019 Dongguan Popular Property Award(中國房地產網路星光榜·2019 年東莞熱銷樓盤獎)	Dongguan fangdr.com (東莞房博士網)	2019
Huijing Global Centre	2018 Most Popular Apartment Award (2018 年度公寓超級流量獎)	Focus Media ( 分 眾 傳 媒 ) and Baidu ( 百 度 )	2019

## **OUR BUSINESS**

### **Property Projects**

For the year ended December 31, 2019, 2020 and 2021, our revenue from the sale of properties amounted to approximately RMB3,601.0 million, RMB5,150.0 million and RMB5,305.4 million, respectively, each accounting for 99.9% of our total revenue in the corresponding periods. For the years ended December 31, 2019, 2020 and 2021, we delivered properties with an aggregate GFA of 323,795 sq.m., 578,747 sq.m. and 758,749 sq.m. at an ASP per sq.m. of RMB11,121, RMB8,898 and RMB6,992 sq.m. respectively.

We develop the following types of property projects: residential property projects, integrated property projects and properties promoting specific industry(ies), namely cultural and tourism-healthy living town projects ("文旅康養"項目) and scientific and innovative technologies industrial town projects ("科創產業"項目).

Further details on each respective type of property project are as follows:

#### ***Residential Property Projects***

Our residential property projects primarily consist of apartments, townhouses, mansions and villas. Our residential property projects are well-equipped with ancillary facilities, social amenities and garden features, such as parks, clubhouses, swimming pools, gymnasiums and children's playgrounds, creating a comfortable living environment for our customers.

#### ***Integrated Property Projects***

Our integrated property projects combine residential properties with commercial properties and, where required by the relevant land grant contract, hotels, in order to offer a "one-stop properties service" that is convenient to our customers, attracting a demographic from traditional city centers. In particular, we introduced internationally known brands and, where required, internationally renowned hotel operators to increase the attractiveness of our integrated property projects. We generally sell the commercial properties, hotels and offices properties in our integrated complexes, but depending on our needs, we also at times retain some of our commercial properties for investment purposes in order to generate a stable and recurring source of income.

#### ***Properties Promoting Specific Industry(ies)***

We also develop properties promoting specific industries the development of which is encouraged by local government authorities, including cultural and tourism-healthy living town projects ("文旅康養"項目) and scientific and innovative technologies industrial town projects ("科創產業"項目). "Cultural and tourism-healthy living" (文旅康養) refers to the concept where we focus on creating a comfortable and quality living environment for our customers by introducing various facilities focusing on travel, health and senior care, such as parks and spas. Capitalizing on the increasing demand for travel, health and senior-care lifestyles among our existing and potential customers, "cultural and tourism-healthy living" will continue to be one of our focuses for future developments. Our scientific and innovative technologies industrial town projects aim to provide communities with sufficient facilities for emerging industries, allowing such communities to grow, collaborate and develop into the core of a mature industry within and around our property projects. As with integrated property projects, we ordinarily seek to sell the residential and commercial properties within our cultural and tourism-healthy living town projects and our scientific and innovative technologies industrial town projects. However, we may retain certain commercial properties with strategic value as investment properties.

#### **Property Investment**

In addition to offering our properties for sale, we also selectively retain ownership of some self-developed commercial properties with strategic value as investment properties, in order to generate a stable and recurring source of income. We take into account the following factors when determining whether to retain ownership of our self-developed commercial properties:

- (i) provisions (if any) under the relevant land grant contract requiring us to retain certain properties in a development;
- (ii) the potential for appreciation in the value of the relevant property — which depends on a number of factors, including the location and expected performance of the local economy;
- (iii) the level and stability of income stream expected to be generated from the leasing of the relevant property; and
- (iv) in respect of retail properties, the likelihood of such property being able to attract anchor tenant(s) so that we would be able to select the anchor tenant(s) which would be suitable for the demographic targeted by the relevant development.

For the years ended December 31, 2019, 2020 and 2021, we measured our investment properties at fair value, and recorded a fair value gain on investment properties of RMB11.0 million, RMB41.6 million and RMB170.8 million, respectively.

### Land Reserves

We proactively assess different opportunities to acquire new land to maintain land reserves for our future developments. The following table sets out the GFA of our land reserves by geographical locations as of December 31, 2021:

City	Total land reserve GFA	Percentage of total land reserve GFA
	(sq.m.)	(%)
Dongguan	33,323	1.0%
Heyuan	858,791	27.3%
Hefei	69,956	2.2%
Hengyang	1,189,818	37.8%
Pinghu	61,525	2.0%
Chenzhou	266,456	8.5%
Xuzhou	333,383	10.6%
Xichang	87,401	2.8%
Chengdu	75,585	2.4%
Fuyang	41,387	1.3%
Changsha	129,206	4.1%
<b>Total</b>	<b>3,146,831</b>	<b>100.0%</b>

The following table sets out the GFA breakdown of the Group's land reserves by property project as of December 31, 2021:

Property Type	Completed as of December 31, 2021				Under development as of December 31, 2021				Total GFA (sq.m)
	Unsaleable GFA (sq.m)	GFA sold (sq.m)	GFA available for sale/lease (sq.m)	Investment property (sq.m)	Saleable/leaseable GFA (sq.m)	Unsaleable GFA (sq.m)	Investment property (sq.m)	Total estimated GFA for future development (sq.m)	
<b>Residential property project</b>									
Dongguan	162,706	935,532	28,033	—	—	—	—	—	1,126,271
Heyuan	100,715	550,798	41,024	—	285,060	59,942	—	532,707	1,570,246
Pinghu	—	—	—	—	61,525	22,996	—	—	84,521
Xichang	—	—	—	—	87,401	2,679	—	—	90,080
Chenzhou	—	—	—	—	266,456	61,781	—	—	328,237
Xuzhou	—	—	—	—	333,383	9,813	—	—	343,196
Chengdu	30,926	254,887	35,354	—	40,231	3,321	—	—	364,719
Subtotal	294,347	1,741,217	104,411	—	1,074,056	160,532	—	532,707	3,907,270
<b>Integrated property project</b>									
Dongguan	28,659	120,709	5,291	—	—	—	—	—	154,659
Hefei	7,415	137,504	8,436	—	61,520	62,545	—	—	277,420
Changsha	64,672	102,736	129,206	—	—	—	—	—	296,614
Fuyang	31,921	210,448	10,532	—	30,855	27	—	—	283,783
Subtotal	132,667	571,397	153,465	—	92,375	62,572	—	—	1,012,476
<b>Investment property</b>									
Dongguan	—	—	—	41,109	—	—	—	—	41,109
Heyuan	—	—	—	—	—	—	84,121	—	84,121
Fuyang	—	—	—	—	—	—	63,505	—	63,505
Subtotal	—	—	—	41,109	—	—	147,626	—	188,735
<b>Property promoting specific industry</b>									
Hengyang	12,867	90,619	2,853	—	81,369	14,574	—	1,105,596	1,307,878
Subtotal	12,867	90,619	2,853	—	81,369	14,574	—	1,105,596	1,307,878
<b>Total</b>	<b>439,881</b>	<b>2,403,233</b>	<b>260,729</b>	<b>41,109</b>	<b>1,247,800</b>	<b>237,678</b>	<b>147,626</b>	<b>1,638,303</b>	<b>6,416,359</b>

## OUR PROPERTIES

We generally classify our property projects into the following four developmental phases:

- completed projects and/or project phases;
- projects and/or project phases under development;
- projects and/or project phases held for future development; and
- projects to be acquired for future development.

A project or project phase is classified as completed when the completion certificate has been obtained from the relevant government authorities.

A project or a project phase is classified as under development when the required construction work commencement permits have been obtained but a completion certificate has not been obtained for all phases of the relevant project.

A project or a project phase is considered to be held for future development when we have obtained the land use rights certificates, but have not obtained the requisite construction work commencement permits.

A property project is classified as to be acquired for future development when we have entered into agreements with the relevant government authorities for land use rights, or transfer agreements/share transfer agreements/framework agreements with the land owners/property interest holders.

As some of our property projects comprise multiple-phase developments that are completed on a rolling basis, a particular development may fall into one or more of the above categories.

Descriptions of each of our property projects as of December 31, 2021 are as set forth in this Exchange Offer Memorandum, unless otherwise stated. The commencement date in relation to each development or phase refers to the date construction commenced on the first building of the development or phase. The completion date refers to the date on which the completion of construction works certified report was obtained for each development, or the last phase of a multi-phase development. For projects under the classification of developments for future development, the completion date reflects our best estimates based on our current development plans. Delivery takes place after our receipt of the purchase monies in full (from the buyer, and/or from the bank offering property finance), and is deemed to have taken place in accordance with the sale and purchase agreement after we have obtained the completion certificate.

Site area is calculated as follows:

- for developments or phases for which we have obtained the land use rights, the calculation is based on the relevant land use right certificates; and
- for developments or phases for which we have not obtained the land use rights, the calculation is based on the relevant land grant contracts.

The total GFA is calculated as follows:

- for developments and phases that are completed, the calculation is based on the relevant completion certificates or property inspection report;
- for developments and phases that are under development, the calculation is based on the relevant construction work planning permit, or based upon other documentation issued by relevant government authorities if the construction work planning permit is not available;
- for developments and phases that are held for future development, the calculation is based on the total GFA indicated in the property master plans or based on our internal records and development plans, which may be subject to change; and

- for developments, land or interests on land and/or property to be acquired for future development, the calculation is based on the site area of the land relevant to the acquisition and the proposed/approved plot ratio for such land.

The total GFA as used in this Exchange Offer Memorandum is comprised of saleable GFA and non-saleable GFA. Non-saleable GFA as used in this Exchange Offer Memorandum refers to certain communal facilities and ancillary facilities for which pre-sale permits will not be issued, including certain underground areas used as fire cisterns, car lanes and rooms for pumps, tools, motors and fans. Saleable GFA as used in this Exchange Offer Memorandum refers to the floor areas excluding the non-saleable GFA. Saleable GFA is further divided into saleable GFA pre-sold/sold and saleable GFA unsold. A property is pre-sold when we have executed the sale and purchase agreement but not yet delivered the property to the customer. A property is considered sold after we have executed the sale and purchase agreement with a customer and have delivered the completed property to the customer.

The total saleable GFA is calculated as follows:

- for developments and phases that are completed, based on the relevant property ownership certificate or property inspection report;
- for developments and phases that are under development, based on the relevant pre-sale permit; and
- for developments and phases that are held for future development, based on our internal records and development plans. The total GFA we intend to sell does not exceed the multiple of site area and the maximum permissible plot ratio as specified in the relevant land grant contract or other approval documents from the local governments relating to the development.

The following table sets out the geographical locations of the property projects (excluding land reserves) we acquired, or have contracted to acquire as of December 31, 2021:

<b>Location</b>	<b>Project</b>
Dongguan	Huijing Riverside Villa (御海藍岸) Huijing Riverside Villa • Perfection (御海藍岸•臻品) Royal Spring Hill (御泉香山) City Valley (城市山谷) Huijing City Centre (滙景城市中心) Century Gemini (世紀雙子) Huijing City (滙景城) Central Palace (中央華府) Fenghua Mansion (豐華公館) Houjie Town Baotun Village Area (厚街鎮寶屯村地塊) Hongmei Hongwugao (洪梅洪屋渦) Qingxi Sanzhong Area (清溪三中片區) Shatian Renzhou Area (沙田稔洲片區)
Heyuan	Bund No.8 (外灘 8 號) Nine Miles Bay (九里灣花園) Dongjiang River Galleries (a portion of) 東江畫廊 (部分)
Hefei	Hefei Huijing City Centre (合肥滙景城市中心)
Hengyang	Huijing Yanhu International Resort (衡陽滙景•雁湖生態文旅小鎮)
Pinghu	Xingfu District (幸福里)
Chenzhou	Yonghe District (雍和居)

<b>Location</b>	<b>Project</b>
Xuzhou	Jieyou Lake (解憂湖)
Xichang	Feili Palace (翡麗華府)
Changsha	Huijing Global Centre (滙景發展環球中心)
Chengdu	Yongjinlan Bay (雍錦瀾灣) Royal View Peak (御景峰閣) Royal View Riverside (御景濱江) Royal View Palace (御景華府)
Fuyang	The 1 <sup>st</sup> Mansion (壹號府邸)

## Our Property Portfolio

The following table sets forth a summary of the Group's property projects and project phases developed, including projects and project phases held for future development as of December 31, 2021:

	Location	Total site area (sq.m.)	Unsaleable GFA (sq.m.)	GFA sold (sq.m.)	GFA available for sale (sq.m.)	Investment property (sq.m.)	Total GFA completed (sq.m.)	Saleable GFA (sq.m.)	Pre-saleable GFA (sq.m.)	Pre-sale GFA (sq.m.)	Unsaleable GFA (sq.m.)	Investment property (sq.m.)	Total GFA under development (sq.m.)	Total estimate GFA for future development (sq.m.)	Total GFA (sq.m.)	Actual / Estimated Construction Commencement Time	Actual / Estimated Pre-sale Commencement Time	Actual / Estimated Construction Completion Time
Huijing Riverside Villa (御海藍岸)	Dongguan	315,867	49,257	431,247	8,826	—	489,330	—	—	—	—	—	—	—	489,330	2010.9.30	2011.4.1	2020.6.11
Huijing Riverside Villa • Perfection (御海藍岸•臻品)	Dongguan	10,220	5,276	32,871	—	—	38,147	—	—	—	—	—	—	—	38,147	2017.9.1	2018.4.28	2019.6.26
Royal Spring Hill (御泉香山)	Dongguan	119,999	42,024	220,417	3,976	—	266,417	—	—	—	—	—	—	—	266,417	2010.12.28	2011.5.20	2017.3.9
City Valley (城市山谷)	Dongguan	59,665	24,566	123,653	557	—	148,776	—	—	—	—	—	—	—	148,776	2014.4.15	2014.11.25	2018.7.6
Huijing City Centre (滙景城市中心)	Dongguan	37,025	28,659	120,709	5,291	15,329	169,988	—	—	—	—	—	—	—	169,988	2015.10.16	2016.4.8	2019.7.8
Century Gemini (世紀雙子) (Note)	Dongguan	17,314	27,168	49,749	8,759	—	85,676	—	—	—	—	—	—	—	85,676	2011.1.21	2012.5.21	2015.1.5
Huijing City (滙景城) (Note)	Dongguan	—	—	—	—	25,780	25,780	—	—	—	—	—	—	—	25,780	2011.1.21	n.a	2015.4.30
Central Palace (中央華府)	Dongguan	18,914	11,670	62,590	4,770	—	79,030	—	—	—	—	—	—	—	79,030	2010.4.14	2010.4.28	2011.11.21
Fenghua Mansion (豐華公館)	Dongguan	6,042	2,745	15,006	1,144	—	18,895	—	—	—	—	—	—	—	18,895	2018.10.24	2019.11.29	2020.6.30
Subtotal		585,046	191,365	1,056,242	33,323	41,109	1,322,039	—	—	—	—	—	—	—	1,322,039			
Bund No.8 (外灘8號)	Heyuan	60,007	35,244	180,785	—	—	216,029	—	—	—	—	—	—	—	216,029	2016.7.27	2019.5.8	2018.12.25
Nine Miles Bay (九里灣花園)	Heyuan	273,500	65,471	370,013	41,024	—	476,508	285,060	282,151	92,736	59,942	—	345,002	—	821,510	2018.11.30	2018.12.20	2021.12.31
Dongjiang River Galleries (東江畫廊) (a portion of)	Heyuan	266,353	—	—	—	—	—	—	—	—	—	—	—	532,707	532,707	n.a	n.a	n.a
Subtotal		599,860	100,715	550,798	41,024	—	692,537	285,060	282,151	92,736	59,942	—	345,002	532,707	1,570,246			
Hefei Huijing City Centre (合肥滙景城市中心)	Hefei	37,779	7,415	137,504	8,436	—	153,355	61,520	43,356	27,696	62,545	84,121	208,186	—	361,541	2017.1.19	2017.8.31	2022.9.30
Huijing Yanhu International Resort (衡陽滙景•雁湖生態文旅小鎮)	Hengyang	938,427	12,867	90,619	2,853	—	106,339	81,369	59,739	40,920	14,574	—	95,943	1,105,596	1,307,878	2016.4.28	2017.10.30	2022.12.31
Xingfu District (幸福里)	Pinghu	25,114	—	—	—	—	—	61,525	61,525	34,356	22,996	—	84,521	—	84,521	2020.6.30	2020.12.15	2022.12.31
Yonghe District (雍和居)	Chenzhou	107,319	—	—	—	—	—	266,456	58,956	18,863	61,781	—	328,237	—	328,237	2021.9.23	2021.06.23	2024.9.22
Jieyou Lake (解憂湖)	Xuzhou	96,398	—	—	—	—	—	333,383	54,652	17,189	9,813	—	343,196	—	343,196	2022.1.11	2021.08.27	2024.1.10



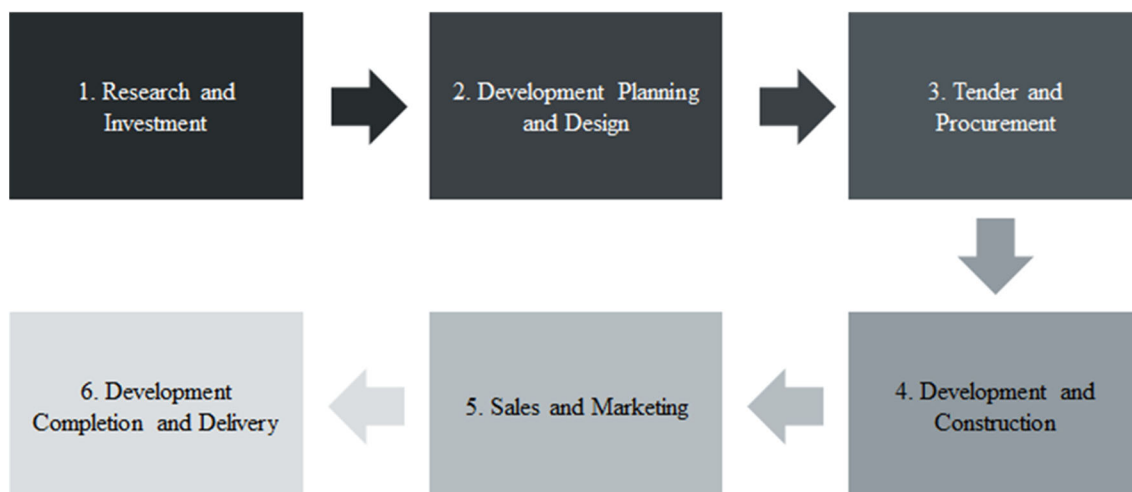
	Location	Total site area (sq.m.)	Unsaleable GFA (sq.m.)	GFA sold (sq.m.)	GFA available for sale (sq.m.)	Investment property (sq.m.)	Total GFA completed (sq.m.)	Saleable GFA (sq.m.)	Pre-saleable GFA (sq.m.)	Pre-sale GFA (sq.m.)	Unsaleable GFA (sq.m.)	Investment property (sq.m.)	Total GFA under development (sq.m.)	Total estimate GFA for future development (sq.m.)	Total GFA (sq.m.)	Actual / Estimated Construction Commencement Time	Actual / Estimated Pre-sale Commencement Time	Actual / Estimated Construction Completion Time
Feili Palace (翡麗華府)	Xichang	20,297	—	—	—	—	—	87,401	74,622	9,704	2,679	—	90,080	—	90,080	2019.10.18	2020.10.29	2023.06.20
Subtotal		1,225,334	20,282	228,123	11,289	—	259,694	891,654	352,850	148,728	174,388	84,121	1,150,163	1,105,596	2,515,453			
Yongjinlan Bay (雍錦瀾灣)	Chengdu	47,646	8,053	144,131	8,348	—	160,532	—	—	—	—	—	—	—	160,532	2017.12.29	2018.07.12	2021.03.19
Royal View Peak (御景峰閣)	Chengdu	14,641	—	—	—	—	—	40,231	40,031	33,011	3,321	—	43,552	—	43,552	2020.04.26	2020.08.31	2023.04.26
Royal View Palace (御景華府)	Chengdu	30,640	18,995	57,046	21,243	—	97,284	—	—	—	—	—	—	—	97,284	2019.10.30	2019.12.18	2021.07.29
Royal View Riverside (御景濱江)	Chengdu	23,430	3,878	53,710	5,763	—	63,351	—	—	—	—	—	—	—	63,351	2018.11.14	2019.01.18	2021.06.11
Subtotal		116,357	30,926	254,887	35,354	—	321,167	40,231	40,031	33,011	3,321	—	43,552	—	364,719			
The 1 <sup>st</sup> Mansion (壹號府邸)	Fuyang	114,879	31,921	210,448	10,532	—	252,901	30,855	14,440	20,514	27	63,505	94,387	—	347,288	2017.11.22	2018.02.02	2022.10.31
Huijing Global Centre (匯景發展環球中心)	Changsha	27,081	64,672	102,736	129,206	—	296,614	—	—	—	—	—	—	—	296,614	2016.6.30	2017.12.25	2020.6.30
<b>Total</b>		<b>2,668,557</b>	<b>439,881</b>	<b>2,403,234</b>	<b>260,728</b>	<b>41,109</b>	<b>3,144,952</b>	<b>1,247,800</b>	<b>689,472</b>	<b>294,989</b>	<b>237,678</b>	<b>147,626</b>	<b>1,633,104</b>	<b>1,638,303</b>	<b>6,416,359</b>			

Note:

Century Gemini and Huijing City are situated on the same parcel of land and therefore share the same site area.

## OUR PROPERTY DEVELOPMENT OPERATION AND MANAGEMENT

We have an established development process for properties ranging from large-scale residential properties to integrated mixed-use properties that include residential buildings, office spaces, shopping malls and other surrounding commercial spaces. The diagram below sets forth the major stages typically involved in our development of properties:



### Research and Investment

#### *Market Research and Site Selection*

We typically select sites for our developments in economically developed second-tiered cities and in urban centers and central areas of other cities in China that we believe have strong prospects for growth. In general, we would consider a number of factors to assess a city's prospects, including: (i) various economic indicators and other factors which we consider relevant to the city's real estate market, such as the city's historic population, population growth from immigration, growth of its native or resident population, local demand and supply for property, GDP, transportation infrastructure etc.; (ii) national or local laws or policies that would affect the local real estate market; and (iii) any potential for development of specialty projects such as cultural-tourism town in the surrounding areas of the city.

In line with the above, we have begun developments in Fuyang City, Anhui Province and Chengdu City, Sichuan Province in the year ended December 31, 2021. They are cities which we consider to be economically developed with potential for future growth. We will also continue to develop our Huijing Yanhu International Resort, a "cultural and tourism-healthy living" project located a distance away from the urban center of Hengyang.

We select one or a few prospective cities in each region when we enter into the market, which we consider as core cities within that region. After gaining a foothold in these core cities, we expand our presence in each region by developing properties in other cities within the region which we believe have high growth potential. We believe that our successful experience in the core cities enables us to more currently position our products in the market and to exercise effective cost control and risk management, and that our regional deep-plough strategy enables us to utilize our experience and resources in each region and achieve a balance between expansion and stability.

Before acquiring a parcel of land, our management will consider key factors that influence the growth of the local property market, and our Investment Department will conduct a detailed feasibility study which includes analysis about the site's existing and potential commercial value, potential land acquisition costs, construction budget, expected return and risk control feasibility. We closely monitor the market and land price movements, and aim to acquire land when land prices are relatively low. To control the risks related to land acquisition, we also engage professional parties from time to time to conduct financial and legal due diligence on the targets when we acquire land from third-party companies.

The factors we consider in the process of site selection include, among others, the following:

- general economic conditions of the relevant city;

- population density of the city and the local areas, particularly the surrounding area;
- infrastructure, urban planning and the development plans of the local government;
- income levels and purchasing power of local residents;
- growth trend of local property market;
- scale and price of land in the city; and
- location of the site in the city, proximity to the city center and access to transport and public facilities, particularly high-speed train lines and stations;

We devote significant management resources to the site selection process, which involves collaboration among multiple departments. Our Investment Department identifies suitable acquisition opportunities, conducts legal risks analysis, negotiate with counterparties and executes acquisition transactions. Our Investment Department coordinates with other departments including our Legal Department and Finance Department to formulate a detailed feasibility study, which will be submitted to our Investment Committee for review and approval.

### ***Land Acquisition***

We primarily acquire land for our developments through third parties and through urban renewal developments, but we may also acquire land through other channels including but not limited to auctions or public tendering processes. We have obtained our land through the following methods:

- acquisition of equity interest in companies that hold land use rights;
- acquisition of land from companies and/or persons that hold land use rights; and
- participation in urban renewal developments which involves resettlement operations in some cases.

We may use one or a combination of the above methods to acquire land for our developments. In particular, when we participate in urban renewal developments, we may also directly acquire land from existing landowners (by acquiring the parcel of land directly, or through acquiring the equity interest in the land-owning company(ies) holding the land) in the redevelopment area.

### ***Previous Urban Renewal Regimes***

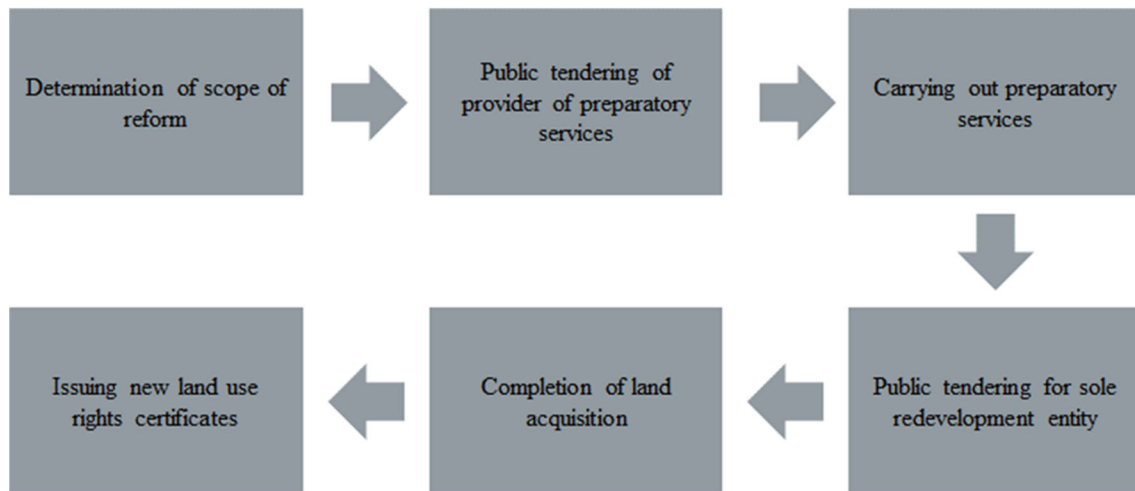
In August 2018, the Opinion was published by the Dongguan People's Government to formally regulate the process for urban renewal in Dongguan. The Opinion introduced the Single Party Scenario and phased out the Cooperation Scenario of urban renewal and imposed more stringent requirements for urban renewal under the Right Owner Scenario. However, we will continue our urban renewal commenced under Right Owner Scenario and Cooperation Scenario where the relevant law permits.

An owner who owns more than 80% (by site area) of the land use rights within a qualifying urban renewal area may initiate urban renewal under the Right Owner Scenario. Under the Right Owner Scenario, the qualifying landowner is permitted to conduct urban renewal projects on its own initiation, and obtain the necessary approvals and new land grant, **provided that** the prescribed procedures are followed and the conditions of all examination and approval of land use rights are fulfilled.

Under the Cooperation Scenario, enterprises may conduct urban renewal projects in cooperation with the rural collective economic organizations. The Cooperation Scenario was phased out by the Opinion, but an existing project which was registered before the promulgation of the Opinion may continue, **provided that** the relevant parties involved have specified the cooperating enterprise within one year of the promulgation of the Opinion.

### **Current Urban Renewal Regimes**

In summary, land acquisition in an urban renewal development under the Single Party Scenario involves the following steps pursuant to the Opinion:



- **Determination of scope of reform:** the local government determines the scope of urban renewal, the parcel of land to be renewed and the directions for the redevelopment.
- **Public tendering of provider of preparatory services:** a public tendering process is used to select a preparatory services provider (前期服務商). The preparatory services provider provides services which mainly involves the commission of a detailed urban renewal plan and arranging local elections to ascertain public opinion in the area concerned. The urban renewal plan will provide for the future zoning of the land, prescribing the types of developments that may developed on the land. The urban renewal plan may also recommend the conditions that should be included in the future land grant contract(s) and land use rights certificate(s) for the redevelopment area. The report prepared by the preparatory services provider will be submitted to the relevant authority for approval.
- **Carrying out preparatory services:** the selected preparatory services provider will prepare the detailed urban renewal plan, and will then: (i) conduct a survey on the title owners in the area proposed to be redeveloped, ascertaining their respective rights and title to the land; (ii) consider different compensation schemes for the affected local residents; and (iii) recommend the proposed engagement terms for the sole redevelopment entity (單一改造主體), an entity which is exclusively allowed to repurchase all of the land use rights within a redevelopment area.
- **Public tendering for sole redevelopment entity:** after the urban renewal plan is approved by the relevant authority, the sole redevelopment entity will be selected through public tendering.
- **Completion of land acquisition:** the sole redevelopment entity selected will be given a land acquisition approval (土地收購批文) upon the payment of a deposit. The sole redevelopment entity usually has six months upon its appointment to complete the acquisition of the required portion of land title from the existing owners.
- **Issuing new land use rights certificates:** once the acquisition is complete, all of the original land use rights to the redevelopment area will be voided by the relevant authority and the sole redevelopment entity will: (i) pay the land premium; (ii) enter into a new land grant contract; and (iii) be issued a new land use rights certificate.

While an urban renewal development would only officially commence after a developer is appointed as a preparatory service provider or sole redevelopment entity (or in the case of an urban renewal under the Right Owner Scenario or the Cooperation Scenario, after an application for urban renewal has been made with the relevant government authority), we would undertake feasibility studies and works in respect of a prospective urban renewal project, typically two to three months prior to making a bid for being the preparatory service provider or sole redevelopment entity.

To source suitable land for urban renewal project, members of our Urban Renewal Acquisition Team frequently tour various districts in Guangdong Province, especially in Dongguan, in search of potential urban renewal. We may also receive information on potential redevelopment through other professional third parties and operators whom we frequently work with in redevelopment projects.

When assessing land, we consider and take into account a number of criteria, including existing land conditions, government plans, whether specific requirements for urban renewal development can be satisfied, and potential investment return.

Upon the public tendering process for the sole redevelopment entity, we would decide whether to commit to the urban renewal development considering the following:

- potential cost of acquisition and overall return on development;
- identity and location of the owners in the parcel of land;
- length of time required for completing the acquisition;
- presence of any legal titles defect; and
- outcome of feasibility study in light of the proposed redevelopment plan.

To assess and control the risk of us losing the capital we commit to acquire land for urban renewal, when deciding which land we would acquire, we would consider the urban renewal project's feasibility study and only acquire the land parcel which we consider important for the urban renewal project, or the land parcel that we foresee would become difficult to acquire once the urban renewal project progresses and becomes more widely known.

It is important to ensure that we are able to complete the acquisition process within the stipulated time, as failure to do so could cause the termination of our status as the sole redevelopment entity and the PRC Government may forfeit the deposit for the land paid (typically in the region of 10% to 20% of the total land cost).

#### *Our Urban Renewal Projects*

As of December 31, 2021, we had contracted to acquire interest or had acquired and had obtained the relevant land use right certificates or relevant real estate title certificates, for the following land or interests in land and/or property over which we had yet to commence development:

Name	Location	Approximate site area (sq.m.)
<b>Land interest in connection with projects for which we have initiated the urban renewal process or began official discussion for urban renewal with the relevant government authority</b>		
1	Zhangmutou Baoshan Area (樟木頭寶山片區)	Zhangmutou area, Dongguan 171,330
2	Humen Xinwan Area (虎門新灣片區)	Humen area, Dongguan 14,910
3	Shatian Renzhou Area (沙田稔洲片區)	Shatian town, Dongguan 77,321
	<b>Sub-total</b>	<b>263,561</b>
<b>Land interests in connection with projects for which we have obtained initial service providers role for urban renewal</b>		
4	Xie Gang Li Village (謝崗黎村)	Xiegang town, Dongguan 323,000
5	Shatian AI Smart Town (First Phase) (沙田 AI 智能小鎮(一期))	Shatian town, Dongguan 294,400
6	Qishi Xinnan (企石新南)	Qishi town, Dongguan 255,300
7	Cha Shan Shang Yuan (茶山上元)	Chashan town, Dongguan 207,800
8	Qingxi Qingxia (清溪清廈)	Qingxi town, Dongguan 161,300
9	Chashan Waterworks Area (茶山水廠片區)	Chashan town, Dongguan 105,700
10	Wanjiang Gonglian Area (萬江共聯片區)	Wanjiang Gonglian area, Dongguan 210,000
11	Hongmei Hongwuwo Area (洪梅洪屋渦片區)	Hongmei town, Dongguan 485,300
12	Hengli, Wangniudun (望牛墩橫瀝)	Wangniudun town, Dongguan 186,700
	<b>Sub-total</b>	<b>2,229,500</b>

## **Project Planning and Design**

Our Design Department is responsible for product research, development, planning and design. We pay significant attention to our customers' needs and we introduce customer-oriented designs that bring increased convenience and value-added experience to our customers based on their lifestyle and habits. We also consider the strengths and advantages of each parcel of land during the initial planning phase so as to design a plan that would extract the maximum value from the parcel of land.

At the stage of development, our Design Department creates the master plan, design specifications and theme for the development and collaborates with independent third-party designers and architects to create customer-focused designs. Whilst our Design Department manages the overall planning and design work, the specific design works are outsourced to independent third-party designers and architects. We engage specialized architectural and design firms through a tender process and we make our selection based on their proposed designs, their reputation for reliability and quality as well as their bidding price. To enhance the value and marketability of our developments, we have engaged reputable domestic and international design firms to perform detailed design work for our developments.

## **Tender and Procurement**

We engage qualified third-party contractors for the construction of our property developments. Generally, there is a main contractor who is responsible for the major construction works including the construction of the main structural components, equipment installation and engineering work. Aside from the main contractor, we also engage contractors for facade engineering, interior fit-outs and landscape engineering. Subject to cases where there is only one eligible contractor due to governmental monopoly, technical monopoly or market monopoly, our Procurement Department manages the contractors' engagement by following methods:

- tender by invitation;
- selecting a contractor by comparing price offered by several contractors;
- engaging a contractor who is directly designated by the Chairman; and
- repurchasing from our strategic cooperation contractors.

When there is a particular development or contract for tender, the list of contractors is screened for their suitability and reputation, and we invite about three to six contractors who meet all our requirements to participate in each tender. We consider factors including the size of their operations, their performance in similar developments, their past cooperation with other reputable companies and their capabilities and strengths. We believe that contracting our construction work allows us to leverage the enterprise of the construction contractors and allows us to focus on our principal business of property development planning and monitoring.

In addition to our construction contractors, we also procure other goods and services, such as built-in furniture, kitchen appliances, lighting, sculptures, graphic designing, air conditioner servicing and geological surveying, directly through third party suppliers. Our construction materials are primarily purchased from suppliers in the PRC. Our Engineering Department and Project Management Department oversee the quality of each property project. For certain specialized building materials and equipment we procure on our own, we do not generally maintain construction material inventory, but order these materials and equipment only on an as-needed basis. As of December 31, 2021, we had not experienced any shortage or delay in the supply of construction materials and equipment that had a material adverse effect on our business operations.

## **Development and Construction**

### ***Construction Supervision***

We need to first obtain the development rights to the relevant land and all necessary permits and certificates, including the land use rights certificates, the construction land planning permit, and the construction work commencement permit, in accordance with the relevant PRC laws and regulations before construction commences.

Our Project Management Department oversees the construction progress and controls project budgeting. During the construction stage, our Project Management Department conducts monthly project quality and safety inspection to monitor the construction progress in accordance with relevant laws and regulations. Our Project Management Department also conducts reviews on all our contractors and our procurement contracts to ensure that the costs incurred, the quality of work and the execution of the construction plans are to our satisfaction. In the event of quality and safety incidents that occur in our developments, our Project Management Department will conduct timely analysis in order to minimize losses.

### ***Quality Control***

We place significant emphasis on quality control with regard to the construction and supervision of our developments and have adopted quality control procedures to ensure compliance with relevant laws and regulations. Quality control starts with the selection of high-quality construction contractors. Our Project Management Department inspects and reviews the qualification and performances of these contractors regularly to ensure that they are performing to our standards.

Moreover, our quality control system governs each aspect of the development process. At the headquarters level, our Project Management Department is responsible for supervising the overall construction process for all of our developments. The department conducts reviews of the developments under construction and regular on-site inspections. If there are any instances of non-compliance, the Project Management Department will escalate the issue to management and also require the issue to be rectified.

At the individual development level, the Engineering Department within each of our project companies supervises the quality control process for their respective developments. They closely monitor the quality and timetable of the relevant construction development, as well as the selection of construction materials. All of the relevant departments of the project companies are required to strictly abide by our standards and procedures. If any issue arises, it would be escalated to the chief executive in our project company, and also our Operations Department and the Board of Directors and senior managers at the headquarter level.

Moreover, we engage third-party consultants to conduct a quality review on the work quality of our contractors and our employees every quarter based on field measurements against our internal quality standards. We believe the periodical review by independent third parties will provide us with objective feedback for construction quality, incentivize our employees and contractors to follow our quality standards, and enhance our overall quality control.

### ***Cost Management***

We have established a comprehensive cost management system to set the relevant budget for our developments which is managed by our Cost Management Department. Cost control measures are applied in three stages: (i) pre-investment — where costs are estimated to calculate the profit forecast; (ii) design — where a detailed budget is drawn upon the confirmation of the design; and (iii) development — where ongoing monitoring takes place as development continues.

For each development, our Cost Management Department prepares a budget estimate report after assessing information provided by other departments in relation to the design. Upon development, they also review, verify and analyze cost reports from project companies on a monthly basis in order to modify the budget estimate report according to the actual construction process. A report on costs for each development is produced by our Cost Management Department on a monthly basis and any unusual cost increases are quickly escalated to our management team. We believe such procedures enable our Cost Management Department to effectively control costs.

### ***Sales and Marketing***

#### ***Sales and Marketing Efforts of Our Group***

We rely on the efforts of our Sales and Marketing Management Department, which include telemarketing, establishing showrooms and on-site sales offices, for the sale of most of our properties. Our Sales and Marketing Management Department is in charge of formulating marketing strategies and setting marketing goals, controlling project marketing control and budgets and evaluating the performance of the local sales and marketing team. We believe that by establishing and strengthening our Sales and Marketing

Management Department, and leveraging the support of our other departments, we are better positioned to gain a deeper understanding of the markets to improve our marketing and pricing efforts, and are better able to identify industry trends and customer demands that can help us optimize our products. In order to align the interest of our sales and marketing personnel with that of our Group, together with our joint ventures, we incentivize our sales and marketing personnel by providing them with performance-based compensation packages, which are based on the performance evaluation of the individual sales and marketing personnel and their marketing teams.

Depending on market conditions and our overall sales condition of a particular property project, we also occasionally engage third party real estate agents to facilitate our sales and marketing efforts. These real estate agents promote our property projects through their own marketing networks and bring in potential customers to our development sites. In consideration for their services, we typically pay a commission depending on the total sales amount they make.

For each of the years ended December 31, 2019, 2020 and 2021, we incurred selling and distribution expenses (including salary of sales and marketing personnel, commissions for third party real estate agents and other expenses related to sales and marketing efforts of our Group) of RMB83.8 million, RMB157.6 million and RMB123.0 million, respectively.

Our Sales and Marketing Management Department is actively engaged in activities ranging from the early stage of development positioning, to the later stages of, for example, price setting and opening for sale, in order to ensure that our properties are well positioned and appropriately priced.

#### ***Pre-sales***

In line with industry practice, we conduct pre-sales of our properties prior to the completion of construction. Our Sales and Marketing Management Department is responsible for setting up showrooms, display units and display areas in line with our internal standards to provide visual presentations to our customers of the quality and design of our properties. Under the relevant laws and regulations, we must comply with certain conditions prior to obtaining approval to commence pre-sales, including:

- the relevant land use rights certificates must have been obtained;
- the land premium must have been fully paid;
- the funds contributed to the property projects where property units are intended to be pre-sold must constitute at least 30% of the total amount invested in a property project;
- the construction progress and expected completion and delivery dates must be confirmed; and
- pre-sale permits must have been obtained from the construction bureau at the local level.

As of December 31, 2021, we had not experienced any significant delays in obtaining the pre-sale permits which would have materially and adversely affected our operations.

In addition, we are also required to use a standard sale and purchase agreement prescribed by the PRC Government. We register such pre-sales with the relevant local authorities and provide required warranties on the quality of the subject properties in accordance with the relevant PRC laws and regulations.

#### ***Pricing Policies***

Prior to the launch of our sales efforts for a property project, we establish the overall marketing budget, sales targets and targeted average selling price for each property project based on a variety of factors, including our total costs incurred, our target probability levels, competitive landscape, locations, floors, facing directions, views, target customers, and prices of comparable properties in the market. We adjust the selling prices during the sales process based on market responses.

We constantly monitor the changing market conditions and adjust the selling prices of our properties as appropriate.

As part of our marketing strategy, we offer discounts to customers based on, among other things, the payment plan chosen by the customer and the number of properties that the customer has purchased



from us. We believe the above discounts are effective in attracting potential customers and we consider that discounts granted are in line with the prevailing market practice.

### ***Payment Arrangements***

Customers may purchase our properties with one lump-sum payment, installment payments or mortgage loans provided by commercial banks.

We typically require our customers to pay a deposit upon entering into a sale and purchase agreement. Such deposits are usually subject to forfeiture if the customer defaults on the purchase. Customers who purchase properties by making one lump-sum payment are normally required to fully settle the total purchase price within the prescribed period after entering into the relevant property sale and purchase agreements. Customers who purchase properties by making installment payments are required to pay each installment in accordance with the agreed payment schedule. Customers who purchase properties with mortgage loans are usually required to pay a deposit of 30% to 40% if the property was a residential property, or 50% if the property was a commercial property, of the total purchase price upon entering into a property sale and purchase agreement. The outstanding amounts are settled by the mortgagee banks within the prescribed period pursuant to the respective mortgage documents.

### **Development Completion and Delivery**

We endeavor to deliver completed properties to our customers on a timely basis in accordance with the terms of the sale and purchase agreement. To serve this purpose, we closely monitor construction schedules in order to deliver properties to our customers within the timeframe specified in the respective sale and purchase agreements and in a manner that complies with PRC laws and regulations. Under a standard property sale and purchase agreement, if we are unable to deliver properties as per the prescribed timeframe, we are subject to a monetary penalty, calculated at 0.01% of the purchase price of the relevant property per day, from the prescribed delivery date to the actual date of delivery, with the sum of total monetary penalties being capped at 2% of the purchase price of the relevant property.

Upon (a) satisfaction of all the conditions set out in the sale and purchase agreements, which usually includes receipt of the full purchase price of the property and (b) completion of inspection of the properties and ensuring that the prerequisite quality standard has been met, we will issue a notice to our customers confirming that the property is available for delivery.

We may also obtain the Real Estate Title Certificates for our customers within the time period prescribed in the sale and purchase agreement, by providing all requisite information to the local authorities for registration. The local authorities may then grant a Real Estate Title Certificate for each property unit thereafter. If we fail to obtain the Real Estate Title Certificate within the prescribed time period, the customer may have the right to repudiate the sale and purchase agreement and we may be subject to monetary penalties, which are usually capped at 2% of the purchase price of the relevant property.

According to our accounting policies, our revenue is recognized when the properties are delivered to our customers. The recognition of our revenue from sale of properties is not subject to the grant of the property ownership certificates or real estate certificates to our customers.

## **WARRANTIES AND AFTER-SALE SERVICES**

### **Warranties and Returns**

We provide our customers with warranties for the quality of the structure of the building pursuant to the Measures on the Sales of Commodity Housing (《商品房銷售管理辦法》) and Regulations for the Operations of Urban Property Development (《城市房地產開發經營管理條例》). In addition, we also provide quality warranties for certain fittings and fixtures, if applicable, usually for a period of two years, according to the published national standards. In particular, we provide the following warranties, amongst others, for our residential properties:

- for defects relating to the foundation and main structure of the property — the period designed for reasonable use of the relevant property;
- for defects relating to the external waterproofing of property surfaces — five years;

- for defects relating to the internal waterproofing of bathrooms, rooms and walls — five years;
- for defects relating to the plastering of walls and ceilings — two years;
- for defects relating to cracking of walls or sanding of large areas — two years;
- for defects relating to the cracking of doors or windows, or damage to hardware — two years;
- for defects relating to internal wiring, gas pipes, sewage pipes and equipment installation — two years; and
- for defects relating to refined interior decoration works — two years.

If a defect was caused by one of our contractors, the relevant contractor is generally liable to remedy the defect at its own cost and within the original timeframe stipulated under contract.

We do not provide warranties in respect of defects which are caused by third parties or improper use and defects resulting from natural disasters. Generally, apart from a breach of property sale and purchase agreement by us, we do not allow returns of properties from our customers.

#### **After-sale Services**

We rely on our Sales and Marketing Management Department to provide after-sale services. Our Customer Service Team is also responsible for collecting and analyzing customer data through customer satisfaction surveys in order to improve service quality, identify customer preferences and provide such feedback to the Construction Management Team to improve our operations, including development design and marketing strategies.

#### **OUR CUSTOMERS AND SUPPLIERS**

Our customers for residential properties are primarily individual buyers in the PRC while our customers for commercial properties include individual buyers, corporations and other business entities. Our major suppliers are construction contractors and construction material suppliers. For the years ended December 31, 2019, 2020 and 2021, our five largest suppliers accounted for 39.6%, 39.6% and 35.9% of our total purchases, respectively. Our single largest supplier for each of the years ended December 31, 2018, 2019 and 2020, accounted for 12.2%, 12.2% and 10.9% of our total purchases, respectively.

#### **COMPETITION**

The commercial and residential property market in the PRC is highly competitive and fragmented. We compete primarily with other property developers in both the cities we operate in and the cities we intend to operate in. Please refer to subsection headed "*Risk Factors — Risks Relating to Our Business and Industry — Our expansion into new geographical markets presents certain risks and uncertainties*" in this Exchange Offer Memorandum for further details. Some of our competitors will have more financial and other resources than us and may be more sophisticated than us in terms of design, engineering, technical, marketing and management skills. However, we believe that the entry barriers to the PRC property development market will work to our advantage as we already have knowledge of the local property market conditions and established brand recognition in the consumer market. We believe that the PRC property development market still has significant growth potential.

#### **INSURANCE**

As we engage third-party contractors to conduct the construction of our properties and do not construct properties ourselves, the mandatory provisions under the relevant PRC laws and regulations requiring construction contractors to maintain insurance coverage with respect to their construction projects do not apply to us. We do not maintain any insurance policies for our residential property developments unless required to under the relevant loan or financing agreements. If we secure bank loans from commercial banks in relation to our properties under development, the commercial banks usually require certain insurance coverage against potential losses or damages to be held until the full repayment of the underlying loans. Regardless, we generally maintain property insurance for our commercial developments held for investment.

We believe our third-party contractors should bear liabilities from tortious or other personal injuries on our development sites and therefore we do not maintain any insurance coverage against such liabilities. However, in accordance with applicable PRC laws and regulations, we require the general contractors of our developments to maintain insurance policies in accordance with the contracting agreements.

There are certain risks for which we are not insured, such as losses from natural disasters, terrorist attacks and construction delays, and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations. We believe that our overall insurance package is in line with industry norms.

## HEALTH AND SAFETY MATTERS

We provide protective safety equipment to our employees and require our contractors to ensure that their onsite constructions comply with applicable PRC safety laws and regulations. We have also developed policies and procedures regarding work safety and occupational health issues. Our Project Management Department and Operations Department monitor the day-to-day issues relating to health and safety and are responsible for responding to health and safety incidents in the first instance.

Our Project Management Department is responsible for recording and reviewing statistics in relation to production safety and appropriate implementation of construction works within our Group. As of December 31, 2021, we had not encountered any incidents or claims for personal or property damages which had a material adverse effect on our business operations.

## INTELLECTUAL PROPERTY

We place emphasis on developing our brand and have registered our trademarks in Hong Kong and Macau to protect our intellectual property rights. Additionally, we also have registered the domain name of [www.huijingholdings.com](http://www.huijingholdings.com) for the website of our Group on the internet.

## EMPLOYEES

We recruit our employees on an as-required basis and in the market through various channels, including headhunters, advertising in the media, online advertising, on-site recruitment, recruitment firms, campus recruitment and through internal referrals. In our recruitment process, we value traits such as professional capabilities, high moral and ethical standards, integrity and teamwork. Generally, we also avoid hiring immediate family members of existing employees in roles in the same department, or departments with direct business relations, without approval from senior management.

As of December 31, 2021, we had 547 full-time employees. The following table sets forth a breakdown of our employees as of December 31, 2021:

<b>Function</b>	<b>Number of employees</b>
Senior management	26
Human resources, information technology and administration	71
Development and investments	61
Engineering and design	92
Cost management, tendering and procurement	53
Projects and operations	48
Sales and marketing	55
Accounts and financing	72
Legal and audit	11
Others	58
<b>Total</b>	<b>547</b>

To ensure that our employees are equipped with the skills and knowledge relevant to their positions, we offer both internal and external training opportunities to our employees. Training programs may be targeted at a company-wide level, department level or personal level and are adjusted in accordance with the particular needs of the individual teams or employees. We offer our employees competitive remuneration packages which include basic salaries, allowances, discretionary bonuses, performance-based bonuses and year-end bonuses as well as contributions to social insurance and housing funds. In general, we determine salaries based on the individual employee's qualifications, experience, position and seniority.

## **ENVIRONMENTAL PROTECTION MATTERS**

We are subject to certain environmental protection laws and regulations, including those relating to air pollution, noise emissions and water and waste discharge. Each of our property projects is required under PRC laws and regulations to undergo environmental impact assessments. We must submit the relevant environmental impact study or report to the environmental authorities, along with other required documents, for evaluation and approval by the authorized environmental protection administrations. The approval from the relevant government authorities will specify the standards applicable to the implementation of the construction site with respect to areas such as air pollution, noise emissions and water and waste discharge. Such measures are required to be incorporated into the design, construction and operation of the particular property project. Upon the completion of each development, the relevant government authorities will also inspect the site to ensure that all applicable environmental standards have been complied with before the property can be delivered to the buyer.

We take specific measures to ensure our compliance with the applicable environmental laws and regulations, including: (i) strictly selecting construction contractors and supervising the process of construction; (ii) applying for review by the relevant government authorities in a timely manner after the property project is completed; and (iii) actively adopting environmentally friendly equipment and designs. We also take voluntary actions with respect to environmental protection and make energy conservation and emission reduction top considerations when designing our property projects.

As of December 31, 2021, we had not received any material fines or penalties for non-compliance of the environmental laws and regulations of the PRC and we had not encountered any material issues with passing any inspections conducted by the relevant environmental authorities upon completion of our properties.

## **LEGAL PROCEEDINGS**

As a property developer in the PRC, we may face arbitration, litigation and administrative proceedings or disputes in our ordinary course of business. As of December 31, 2021, we had not been involved in any actual or threatened arbitration, litigation or administrative proceedings which had or could be expected to have a material adverse effect on our reputation, business, results of operations and financial condition.

## **RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS**

Our Internal Control Department is responsible for regularly auditing and evaluating the internal control procedures of the members of our Group, operational processes and their implementation, and providing recommendations to members of our Group, where necessary. As of December 31, 2021, our Internal Control Department had five staff, including qualified accountants in the PRC and in Hong Kong.

## REGULATION

### (A) THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, customs, regulations, directives, local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court verdicts 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 ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil and criminal matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the full NPC.

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

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations, and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local laws and regulations must be consistent with the PRC Constitution, 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 on June 10, 1981, the Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

### (B) 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 are comprised of the basic courts, the intermediate courts and the higher 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 higher level court supervises the basic and intermediate courts. The People's Procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the level immediately superior. In general, second judgments or orders given at the same level and at the level immediately superior are final. First judgments or orders of the Supreme People's Court are also 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 (中華人民共和國民事訴訟法), which was adopted on April 9, 1991 and last amended on December 24, 2021 with effect from on January 1, 2022, 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 object of the action. However, such selection cannot 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 for enforcement of the judgment, order or award. A time limit of two years is imposed on the right to apply for such enforcement. If a person 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 of the PRC, its sovereignty or security, or for reasons of social and public interests.

### (C) ESTABLISHMENT OF A PROPERTY DEVELOPMENT ENTERPRISE

According to the "Law of the People's Republic of China on Administration of Urban Real Estate" (中華人民共和國城市房地產管理法) (the "**Urban Real Estate Law**") promulgated by the Standing Committee of the NPC on July 5, 1994, effective on January 1, 1995 and as last amended on August 26, 2019 and effective on January 1, 2020, a property developer is defined as an enterprise which engages in the development and sale of property for the purpose of making profit. Under the "Regulations on Administration of Development of Urban Real Estate" (城市房地產開發經營管理條例) (the "**Development Regulations**") promulgated and implemented by the State Council in July 1998 and last amended on November 29, 2020, an enterprise which is to engage in property development shall satisfy the following requirements: (i) its registered capital shall be RMB1 million or more; and (ii) have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate.

In May 2009, the State Council issued a "Notice on Adjusting the Ratio of Capital Fund for Investment Projects in Fixed Assets" (關於調整固定資產投資項目資本金比例的通知), setting the portion of capital fund of property projects at 20% for affordable housing projects and ordinary commodity housing projects and 30% for other property projects.

In September 2015, the State Council issued a "Notice to Adjust and Promote the System of Capital Fund for Investment Projects in Fixed Assets" (關於調整和完善固定資產投資項目資本金制度的通知), under which the minimum capital ratio remains 20% for affordable housing projects and ordinary commodity residential projects, and is decreased to 25% for other property projects.

On November, 2019, the State Council issued a "Notice on Enhancing the Administration of Capital Fund for Investment Projects in Fixed Assets" (關於加強固定資產投資項目資本金管理的通知), pursuant to which the minimum capital requirement for projects of port, coastal and inland river navigation

projects was adjusted from 25% to 20%, whereas the minimum capital requirement for other projects, including property projects, remained unchanged. The capital for investment project should be non-debt capital and the project entity shall not be liable for any debt or interest arising from such capital.

To establish a property development enterprise, the developer should apply for registration with the administration for market regulation. The property developer must also report its establishment to the property development registration authority in its respective locality, 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 sale of property, the relevant requirements of the laws and administrative regulations regarding foreign-invested enterprises must also be observed, the relevant examinations conducted and the relevant approvals obtained.

In July 2006, the Ministry of Construction, the Ministry of Commerce (the "MOFCOM"), the NDRC, the PBOC, the State Administration for Industry and Commerce (the "SAIC") and SAFE promulgated the "Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market" (關於規範房地產市場外資准入和管理的意見), which was amended on August 19, 2015 and stipulates requirements in terms of admittance and administration of foreign capital in the property market.

On May 23, 2007, MOFCOM and SAFE jointly issued the "Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC" (關於進一步加強、規範外商直接投資房地產審批和監管的通知), which was amended in October 2015 and stipulates the requirements for the approval and supervision of foreign investment in real estate.

On September 27, 2007, the PBOC and the China Banking Regulatory Commission (the "CBRC") jointly issued a "Circular on Strengthening Commercial Real Estate Loan Administration" (關於加強商業性房地產信貸管理的通知) This circular reaffirmed some of the restrictions applicable to the sale of residential and commercial units imposed by prior regulations as well as introduced new rules that prohibit, among other things, the provision of working capital financing by commercial banks to property developers (other than property development loans, which may only be used on local property development projects and not on projects in other regions without prior approvals from governmental authorities).

On December 5, 2007, the PBOC and the CBRC further jointly issued the Supplementary Notice of the People's Bank of China and China Banking Regulatory Commission on Strengthening the Administration of Commercial Real Estate Loans (關於加強商業性房地產信貸管理的補充通知). The notice **provided that** the number of loans to a borrower shall be determined on the basis of loans to the borrower's family (including the borrower, his/her spouse and his/her under-aged children), and for a family which has purchased the first house for its own dwelling purpose with a bank loan or which has purchased a house with a loan from the public accumulation fund for housing construction, if its per capital dwelling space is smaller than the local average level and it applies to a commercial bank for another housing loan, such application shall be handled by referring to the policies governing loans for purchasing the first house, while circumstances other than the aforesaid one shall be handled in accordance with policies and provisions governing loans for purchasing a second house.

On April 6, 2010, the State Council issued the "Opinions on Further Enhancing the Utilization of Foreign Investment" (關於進一步做好利用外資工作的若干意見), which provides that, projects with total investment (including capital increase) of less than US\$300 million within the category of industries in which foreign investment is encouraged or permitted as listed in the Guidance Catalog may be approved by local governments, except for those required to be approved by relevant departments of the State Council under the "Catalog of Investment Projects Approved by the Government" (政府核准的投資項目目錄).

On August 19, 2015, the Ministry of Housing and Urban-Rural Development (the "MOHURD"), MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued the "Notice on Adjusting the Admittance and Administration of Foreign Capital in the Real Estate Market" (關於調整房地產市場外資准入和管理有關政策的通知). This notice amended the registered capital requirement in the 171 Opinion and stipulates that when a foreign investor establishes a property development enterprise in China in which (i) the total investment amount is more than US\$10.0 million and less than US\$30.0 million, such enterprise's registered capital must not be less than 40% of its total investment amount; (ii) the total investment amount is less than US\$12.5 million, such enterprise's registered capital must not be less than US\$5.0 million; (iii) the total investment amount is US\$30.0 million or more, such enterprise's registered capital must not be less

than 33.3% of its total investment amount; and (iv) the total investment amount is less than US\$36.0 million, such enterprise's registered capital must not be less than US\$12.0 million.

On March 15, 2019, the National People's Congress of the PRC adopted the "Foreign Investment Law of the PRC" (中華人民共和國外商投資法) or the Foreign Investment Law with a view toward unifying and streamlining the foreign investment framework into China which came into effect on January 1, 2020. The Foreign Investment Law replaced the PRC Law on Sino-foreign Equity Joint Ventures, the PRC Law on Wholly Foreign-owned Enterprise and the PRC Law on Sino-foreign Cooperative Joint Ventures. Under the Foreign Investment Law, the types of foreign investment into China includes:

- (i) establishment of a foreign invested enterprise in China, independently or jointly with any other investor;
- (ii) acquisition of shares, equities, property or any other similar rights and interests of an enterprise in China;
- (iii) investment in a new project in China, independently or jointly with any other investor; and
- (iv) investment in any other way as may be stipulated by laws, administrative regulations or provisions of the State Council.

The Foreign Investment Law establishes a nationwide "pre-establishment national treatment and negative list" management system. The system is intended to create an environment where all foreign investment will be treated the same as domestic investments, other than foreign investments into industries that are listed in the Negative List (as defined below). According to the Foreign Investment Law, the organization form and structure and operating rules of foreign invested enterprises are subject to the provisions of the PRC Company Law, the PRC Partnership Enterprise Law and other applicable laws. However, for foreign invested enterprises formed prior to the adoption of the Foreign Investment Law, the Foreign Investment Law allows for a five-year transition period to bring the corporate governance of such foreign invested enterprises in line with the PRC Company Law.

#### (D) QUALIFICATIONS OF A PROPERTY DEVELOPER

On December 27, 2021, the NDRC and the MOFCOM jointly issued the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資准入特別管理措施(負面清單) (2021年版)) (the "**Negative List**"), which became effective on January 1, 2022. The Negative List has uniformly set forth the ownership requirements, requirements for senior executives, and other special administrative measures for the access of foreign investment. Fields not on the Negative List shall be administered under the principle of equal treatment to both domestic and foreign investment.

Under the "Provisions on Administration of Qualifications of Property 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 and last amended on March 2, 2022 and effective on the same day, an enterprise engaged in real estate development shall apply for the approval in accordance with the provisions of application for the enterprise qualification classification. Enterprises that fail to obtain real estate investment certificates shall not engage in the real estate development business.

Qualifications of a real estate enterprise are classified into two classes: class 1 and class 2. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualification shall be subject to preliminary examination by the housing and urban-rural development authority under the government of the relevant province, autonomous region, or municipality directly under the central government and then final approval of the housing and urban-rural development authority under the State Council. The class 2 qualification shall be examined and approved by the housing and urban-rural authority under the government of the relevant province, autonomous region, or municipality directly under the Central Government or the real estate development department of the people's government of a districted city determined by it. A developer examined qualified will be issued a qualification certificate of the relevant class by the qualification examination authority. The qualification certificate is valid for three years.



## (E) DEVELOPMENT OF A PROPERTY PROJECT

Under the "Interim Regulations of the People's Republic of China on Grant and Transfer 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) ("**Interim Regulations on Grant and Transfer**") promulgated by the State Council in May 1990 and last amended on November 29, 2020, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay a land premium to the government as consideration for the grant of the right to use a land site within a specified term, and the land user may transfer, lease, mortgage or otherwise commercially use the land use right within the term of use. Under the Interim Regulations on Grant and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into a land grant contract with the land user to provide for the grant of land use right. The land user shall pay the land premium as provided by the land grant contract. After payment in full of the land premium, the land user shall register with the land administration authority and obtain a land use right certificate evidencing the acquisition of land use rights. The Urban Real Estate Law and the Development Regulations provide that land use right for a site intended for property development shall be obtained through government grant, except for land use right which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council.

Under the "Rules Regarding the Grant of State-owned Land Use Rights for construction by Way of 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) promulgated by the Ministry of Land and Resources on September 28, 2007, state-owned land use rights for the purposes of industrial use, commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction and listing-for-sale. The procedures are as follows:

The land authority under the people's government of the city and county (the "**assignor**") shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as the size of the land parcel, the qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit for the bid.

The assignor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive bidding, public auction or listing-for-sale.

- After determining the winning tender or the winning bidder by either competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder shall then enter into a confirmation. The assignor should return the bidding or tender deposits to the unsuccessful bidding or auction applicants.
- The assignor and the winning tender or winning bidder shall enter into a contract for the grant of state-owned land use right according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the land.
- The winning tender or winning bidder should apply for the land registration after paying off the land grant premium in accordance with the state-owned land use right grant contract. The people's government above the city and county level should issue the "Land Use Permit for State-Owned Land."

When carrying out a feasibility study for a construction project, a construction company shall make a preliminary application for construction on the relevant site to the land administration authority of the same level as the project approval 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 as amended in 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 and as amended in October 2004 and November 2008 and November 2016, respectively. After receiving the preliminary application, the land administration authority shall carry out a preliminary process for the approval of various matters relating to the construction project in compliance with the overall zoning plans and land supply policy of the government, and shall issue a preliminary approval report in respect of the project site.

The land administration authority of the relevant city or county shall sign a land grant contract with the land user and issue an approval for construction site to the construction company.

According to the Urban Real Estate Law, a land user who obtains land use right 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 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 or necessary preliminary work for the commencement of the construction.

On January 3, 2008, the State Council reiterated the abovementioned policies in the "Notice on Enhancing the Economical and Intensive Use of Land" (關於促進節約集約用地的通知). This notice states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) the prohibition of land supply for villa projects shall continue; (iv) the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy on land appreciation value on idle land; (v) in relation to the supply of residential land, planning conditions such as plot ratio limits and the number and type of flats that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grant for residential development will consist of low rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vi) financial institutions are required to exercise caution when approving financing for any property developer who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of their project or provide at least 25% of the total investment in the project.

The "Measures for the Disposal of Idle Land" (閒置土地處置辦法) was promulgated by the Ministry of Land and Resources on April 28, 1999 and as amended on June 1, 2012 with effect from July 1, 2012 (the "**Measures for the Disposal of Idle Land**"), which clarified the scope and definition of idle land, as well as the corresponding punishment measures. Pursuant to the Measures for the Disposal of Idle Land, under the following circumstances, a parcel of land shall be defined as "**idle land**":

- (i) any State-owned land for construction use, of which the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of State-owned land for construction use, or the decision on allocation of State-owned land for construction use; and
- (ii) any State-owned land for construction uses of which the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year.

If a parcel of land is deemed as idle land by competent department of land and resources, unless otherwise prescribed by the new Measures for the Disposal of Idle Land, the land shall be disposed of in the following ways:

- (i) where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Collecting Charges for Idle Land to the holder of the right to use the land and collect the charges for idle land at the rate of 20% of the land assignment or allocation fee; and the said charges for idle land shall not be included in the production cost by the holder of the land use right; and
- (ii) where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at

the same level, issue a Decision on Recovering the Right to Use the State-owned Land for Construction Use to the holder of the land use right and recover the right to use the State-owned construction land without compensation.

On September 12, 2014, the Ministry of Land and Resources issued the "Guidelines on Improving Economical and Intensive Use of Land" (關於推進土地節約集約利用的指導意見), which implements the rules regarding idle land and specifies the controlling requirements of the land use standards in the relevant legal documents including land use approvals and land grant contracts.

Under the "Measures for Control and Administration of Grant and Transfer 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 and amended on November 26, 2011, the grantee to a land grant contract (i.e., a property developer) shall apply for a Permit for Construction Site Planning from the municipal planning authority with the land grant contract.

After obtaining a construction site planning permit, a property developer shall organize the necessary planning and design work in respect of the planning and design requirements. For the planning and design proposal in respect of a property development project, the relevant reporting and approval procedures required by the "PRC City and Rural Planning Law" (中華人民共和國城鄉規劃法) promulgated by the Standing Committee of the NPC in October 2007 and last amended in April 2019 as well as local statutes on municipal planning must be followed and a construction works planning permit must be obtained from the municipal planning authority.

On January 21, 2011, the State Council promulgated the "Regulation on Expropriation and Compensation Related to Buildings on State-owned Land" (國有土地上房屋徵收與補償條例) (the "**Expropriation and Compensation Regulation**"). The Expropriation and Compensation Regulation provides that, among other things:

- (i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations;
- (ii) compensation shall be paid before the resettlement;
- (iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property may apply to the real estate appraisal institution for re-appraisal, and
- (iv) neither violence nor coercion may be used to force home owners to leave sites, nor may certain measures, such as illegal suspension of water and power supplies, be used in relocation operations.

In addition to paying the demolition and removal compensation, the property developer undertaking the demolition and removal shall pay a removal allowance to the residents of the buildings to be demolished.

After obtaining the Permit for Construction Work Planning and prior to construction, a property developer is required to apply for a construction permit from the construction authority above the county level according to the "Measure for the Administration of Construction Permits for Construction Projects" (建築工程施工許可管理辦法) enacted by the Ministry of Housing and Urban Rural Development on June 25, 2014 and effective from October 25, 2014 and as amend on September 19, 2018 and March 30, 2021, respectively.

A property project developed by a property developer shall comply with the relevant laws and statutes, requirements on construction quality, safety standards and technical guidelines on survey, design and construction work, as well as provisions of the relevant construction contract. After completion of works for a project, the property developer shall organize an acceptance examination according to the "Regulations on the Administration of Quality of Construction Works" (建設工程質量管理條例) promulgated and implemented by State Council on January 30, 2000 and as amended on October 7, 2017 and April 23, 2019, respectively, and the "Provisions on 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規定) promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, and shall also report details of the acceptance examination according to the "Administrative 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 as amended in October 2009. Possession of a property development project may only be delivered after passing the necessary acceptance examination, and may not be delivered before the necessary acceptance examination is completed or without passing such an acceptance examination. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and, where such a project is developed in phases, an acceptance examination may be carried out for each completed phase.

#### **(F) LAND FOR PROPERTY DEVELOPMENT**

The provisions of the "PRC Land Administration Law" (中華人民共和國土地管理法) provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land for property development shall initially be obtained by government grant. Under the "Rules regarding the Grant of State-Owned Land Use Rights for construction by way of 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) promulgated by the Ministry of Land and Resources on September 28, 2007 and effective on November 1, 2007, land for industrial use, commercial use, tourism, entertainment and commodity housing development shall be assigned by competitive bidding, public auction or listing-for-sale and, in the event that a land parcel for uses other than industry, commerce, tourism, entertainment and commodity housing development has two or more prospective purchasers after the promulgation of the relevant land supply schedule, the grant of the land parcel shall be performed by competitive bidding, public auction or listing-for-sale. Under the aforementioned regulations, the assignor shall prepare the public tender and competitive bidding documents and shall make an announcement 20 days prior to the day of public auction to announce the basic particulars of the land parcel and the time and venue of the public auction. The assignor shall conduct a vetting process of the bidding applicants and auction applicants, accept an open public tender to determine the winning tender; or hold an auction to ascertain a winning bidder. The assignor and the winning tender or winning bidder shall then enter into a confirmation and, then, into a land grant contract. The relevant land use rights certificates will not be issued prior to the full payment of the land premium.

On September 24, 2003, the Ministry of Land and Resources issued the "Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market" (關於加強土地供應管理促進房地產市場持續健康發展的通知) which was amended in December 2010 and designed to strictly control land supply for high-end luxury property development.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, the 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 level on land premiums to 50% of the total premium and requires the land premium to be paid in full within one year after the signing of a land grant contract, subject to limited exceptions.

On March 8, 2010, the Ministry of Land and Resources promulgated the "Circular on Strengthening Real Estate Land Supply and Supervision" (關於加強房地產用地供應和監管有關問題的通知). Under the circular, the minimum land premium shall not be less than 70% of the benchmark market price in the locality of the parcel of land granted, and the bidding deposit shall not be less than 20% of the minimum land premium. The circular makes further strict provisions on land grant contract administration. The land grant contract shall be entered into within 10 working days after the land grant deal is concluded. The down payment of 50% of the land premium shall be paid within one month of the date of land grant contract. The remaining balance shall be paid in accordance with provisions of the land grant contract within one year.

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the "Notice on 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 stipulates, among other

things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty town 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 are prohibited from participating in land auctions before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement; (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 affordable housing, 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 shall report to 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 property development against relevant policies or involved illegal dealing will be confiscated and the relevant land use rights will be withdrawn. Moreover, amending the plot ratio without approval is strictly prohibited.

On January 26, 2011, the General Office of State Council circulated the "Notice on Further Regulating the Real Estate Market" (關於進一步做好房地產市場調控工作有關問題的通知), which provides for more stringent management of housing land supply, among other things, that participants or individuals bidding on any land unit shall show proof of funding sources.

According to the "Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition)" and the "Catalog for Prohibited Land Use Projects (2012 Edition)" (關於印發《限制用地項目目錄》(2012年本)和《禁止用地項目目錄》(2012年本)) promulgated by the Ministry of Land and Resources in May 2012, the transferred area of residential housing projects should not exceed (i) seven hectares for small cities and towns; (ii) 14 hectares for medium-sized cities; and (iii) 20 hectares for large cities, and plot ratio must be more than 1.0.

On February 26, 2013, the General Office of the State Council issued the "Notice on Continuing to improve the Regulation and Control of 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) which requires, among other restrictive measures, expanding ordinary commodity housing units and increasing the supply of land. The overall housing land supply in 2013 shall not be lower than the average actual land supply in the past five years.

The MOHURD and the Ministry of Land and Resources jointly issued the "Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply" (關於加強近期住房及用地供應管理和調控有關工作的通知) dated April 1, 2017 which provides, among others, that cities and counties that have more than one million inhabitants should make three-year (2017-2019) and five-year (2017-2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course based on the period of depleting commodity residential housing inventory. For example, if the above period is longer than 36 months, no more land is to be supplied; if the said period is over 18 months but shorter than 36 months, land supply shall be reduced in size; if the said period is longer than six months but shorter than 12 months, more land shall be provided; however, if the current inventory could be sold in less than six months, land supply shall increase significantly within a short amount of time. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to insure that the property developers use internal funds to acquire lands and that, if the land bid capital originate from a questionable source, the property developers shall be disqualified and prohibited from bidding for land for a designated time.

On May 19, 2018, the MOHURD issued the "Notice on Further Regulating and Controlling the Real Estate Market" (關於進一步做好房地產市場調控工作有關問題的通知), which **provided that** local authorities shall targetedly enhance the effective supply of housing and land, increase the proportion of medium- and low-priced and medium- and small-sized ordinary commercial housing in the newly-built commercial housing, and improve the methods of supplying the land of commercial housing. Particularly, Hot Cities shall increase the proportion of residential land, and the proportion of residential land to urban construction land is suggested not to be lower than 25%. The supply of rental housing land and joint-property housing land shall be enhanced and the supply of public rental housing land shall be guaranteed. The proportion of public rental housing land, rental housing land and joint-property housing land in the new residential land is targeted to reach or exceed 50% in three to five years. In addition, Hot Cities shall promote the diversification of land supply entities. The state-owned land whose use right is obtained by non-real-estate enterprises legally may be used as rental housing land if its ownership remains unchanged and its use is in line with the overall land use planning and the urban and rural planning.

#### (G) SALE OF COMMODITY PROPERTIES

Under the "Measures for Administration of Sale of Commodity Properties" (商品房銷售管理辦法) promulgated by the Ministry of Construction in April 2001, sale of commodity properties can include both post-completion sales and pre-sales.

Any pre-sale of commodity properties shall be conducted in accordance with the "Measures for Administration of Pre-sale of Commodity Properties" (城市商品房預售管理辦法) (the "**Pre-sale Measures**") promulgated by the Ministry of Construction in November 1994 and as amended in August 2001 and July 2004, respectively, and the Development Regulations. The Pre-sale Measures provide that pre-sale of commodity properties is subject to certain procedures. According to the Development Regulations and the Pre-sale Measures, a permit shall be obtained before a commodity property may be put up for pre-sale. A developer intending to sell a commodity property before its completion shall make the necessary pre-sale registration with the property development authority of the relevant city or county to obtain a pre-sale permit of commodity properties. A commodity property may only be sold before completion if the following conditions have been met:

- (i) the land premium has been paid in full for the grant of the land use right involved and a land use right certificate has been obtained;
- (ii) a construction works planning permit and a construction works commencement permit have been obtained;
- (iii) the funds invested in the development of the commodity properties put up for pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and
- (iv) the pre-sale has been registered and a pre-sale permit has been obtained.

According to the Pre-sale Measures, the proceeds obtained by a real estate developer from the advance sale of commercial housing must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the advance sale of commodity properties shall be formulated by the real estate administrative departments.

Several regulations regarding the supervised bank account in relation to the pre-sales of commodity properties are issued by local authorities. According to the "Regulations for the Administration of Pre-sales of Commodity Properties on Guangdong Province" (廣東省商品房預售管理條例) promulgated by the Standing Committee of Guangdong Provincial People's Congress on September 25, 2014, buyers shall directly deposit the proceeds of pre-sales of commodity properties into the supervised bank account according to the contract and shall provide the bank deposit to the property developer to get the payment voucher. Under the regulations, the property developer shall provide the bank deposit certificates together with the pre-sale contract while filing the registration of pre-sale contract to the local real estate registration office. And the receipt and use of pre-sale proceeds shall be supervised by the city or county level real estate registration office. The pre-sale proceeds shall only be used with the amount approved by the local real estate registration office for the purpose of purchasing construction materials, devices, and paying for construction progress fees and taxes.

According to the "Supervision System for Proceeds from Pre-sales of Commodity Properties on Dongguan" (東莞市商品房預售款監管工作制度) jointly promulgated by the Construction Bureau of Dongguan and Housing Management Bureau of Dongguan on October 15, 2007, the proceeds from pre-sales of commodity properties shall be directly deposited into the supervised bank account. Dongguan Property and City Development Bureau (東莞市住房和城鄉建設局), Dongguan Real Estate Administration Bureau (東莞市房產管理局) are jointly responsible for the supervision of the deposit and use of pre-sale proceeds by the property developer. Before the completion of the construction, the pre-sale proceeds can only be used to purchase construction materials, devices, and paying for construction progress fees and tax for the relevant property. Without the approval of Dongguan Property and City Development Bureau, the project developer may not use pre-sale proceeds for any other purposes.

The "Regulations for the Administration on Proceeds from Pre-sales of Urban Commodity Properties on Heyuan" (河源市城區商品房預售資金監督管理辦法) promulgated by the Office of Heyuan People's Government on August 1, 2015, also stipulate that the proceeds from pre-sales of commodity properties shall be deposited into the supervised bank account specified by the pre-sales contract and buyers shall provide the bank deposit to the vendor to get the payment voucher. Before the completion of the construction, the pre-sale proceeds may only be used to purchase construction materials, devices, and pay the construction progress, taxes and interest on relevant bank loan in respect of the relevant property. The property developer must file an application from Heyuan Housing Authority (河源市房管局) for an approval to withdraw proceeds from the controlled account before it may use the proceeds for the above purposes.

The "Circular on Interim Measures Regarding the Supervision of the Proceeds from Pre-sales of Commodity Properties on Hefei" (關於印發合肥市商品房預售資金監督管理暫行辦法的通知) (the "**Hefei Circular**") was promulgated by the Office of Hefei People's Government on April 26, 2018 and became effective on the same day. According to the Hefei Circular, proceeds from pre-sales of commodity properties shall be directly deposited into the supervised bank account. The property developer shall apply to the Hefei Property Protection and Management Bureau (合肥市住房保障和房產管理局) for the use of pre-sale proceeds. Upon the approval of the Hefei Property Protection and Management Bureau, the property developer may withdraw the pre-sale proceeds from the controlled account to pay the construction fees and taxes for relevant property. The Hefei Property Protection and Management Bureau is the supervising authority regarding the use and deposit of pre-sale proceeds by the property developer.

According to the "Notice of Changsha Government and Changsha Central Branch of People's Bank of China on Strengthening the Supervision of the Pre-sale Proceeds" (長沙市人民政府中國人民銀行長沙中心支行關於加強商品房預售資金監管的通知) promulgated by Changsha Government and Changsha Central Branch of People's Bank of China on December 21, 2016, the pre-sale proceeds shall be fully deposited into the controlled account and the Changsha Property Transaction Management Centre (長沙市房屋交易管理中心) is responsible to ensure that the proceeds are applied on the real estate's construction. The pre-sale proceeds can only be withdrawn from the bank according to the construction schedule upon approval of the Changsha Property Transaction Management Centre, however, sufficient proceeds have to remain in the account in order to ensure the completion and delivery of the relevant projects.

According to the "Regulations for the Administration on Proceeds from Pre-sales of Urban Commodity Properties on Hengyang" (衡陽市城區商品房預售資金監管辦法) promulgated by the Office of Hengyang People's Government on June 4, 2015, the proceeds from pre-sales of commodity properties shall be deposited into the supervised bank account specified by the pre-sales contract. Buyers shall provide the bank deposit to the property developer to get the payment voucher. The Hengyang Property and City Development Bureau (衡陽市住房和建設局) is responsible to ensure that the proceeds are applied to the relevant real estate's construction. If the property developer wishes to withdraw the pre-sales proceeds, it must file an application with the supervising bank. The supervising bank will only approve such application upon its review of the construction schedule, which must correspond with the property developer's plan on using the pre-sales proceeds.

According to above laws and regulations, the pre-sale proceeds shall be directly deposited into the supervised account in Guangdong Province and Hefei City and the pre-sale proceeds is not specifically required to be directly deposited into the supervised account in Changsha City and Hengyang City.

Under the "Circular of the General Office of the State Council on Forwarding the Opinion of Such Departments as the Ministry of Construction on Good Handling of Stabilizing House Prices" (國務院辦公廳轉發建設等部門關於做好穩定住房價格工作意見的通知) promulgated by General Office of the State Council in May 2005, the purchaser of a pre-sold commodity property is prohibited from transferring such pre-sold property before the completion of its construction. Property developers are required to register pre-sales and sales of properties electronically with the local authorities on a real name and real time basis.

On April 13, 2010, the 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 houses are not allowed to be pre-sold and the real estate developer is not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on the sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

On March 16, 2011, NDRC promulgated the "Regulation on Price of Commodity Property" (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.

#### **(H) REAL ESTATE REGISTRATION**

On November 24, 2014, the State Council promulgated the "Interim Regulations on Real Estate Registration" (不動產登記暫行條例), which became effective on March 1, 2015 and was amended on March 24, 2019, and provides for the following, among others:

- (i) 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, and such department shall be subject to the guide and supervision by the competent real estate registration authority at the higher level;
- (ii) the real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the natural condition, ownership conditions of the real estate and restriction of rights;
- (iii) the competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform basic management database for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform basic database to ensure the real-time sharing of registration information at the national, provincial, municipal and county level; and
- (iv) any right holder or interested party may apply for inquiring about or copying 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 purpose, and no such information may be disclosed to the public or others without the consent of the right holder.

The "Implementing Rules of the Interim Regulations on Real Estate Registration" (不動產登記暫行條例實施細則), effective from January 1, 2016, and amended on July 24, 2019, authorizes the real estate registration authority to perform a site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management.



## **(I) TRANSFER OF REAL ESTATE**

According to the Urban Real Estate Law and the "Regulations 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 property owner may sell, bequeath or otherwise legally transfer the property to another person or legal entity. When a property is transferred, the ownership of the property and the land use rights attached to property are transferred. The parties to a transfer shall enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by government grant, the property may only be transferred on the condition that: (i) the land premium has been paid in full and a land use right certificate has been obtained; and (ii) development has been carried out according to the land grant contract; 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 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 installed, and the site has been leveled and made ready for industrial or other construction purposes.

If the land use rights were originally obtained by government grant, the term of the land use rights after transfer of the property shall be the remaining life of the original term provided by the land grant contract. In the event that the transferee intends to change the use of the land provided in the original land grant contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land grant contract or a new land grant contract shall be signed in order to adjust the land premium accordingly.

If the land use rights were originally obtained by allocation, transfer of the property shall be subject to the approval of the government vested with the necessary approval authority as required by the State Council. After such approval, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

## **(J) LEASES OF PROPERTIES**

On December 1, 2010, the MOHURD issued the "Administrative Measures for Commodity Housing Tenancy" (商品房屋租賃管理辦法), according to which parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent governmental construction (real estate) departments of the county, city, or directly-controlled municipality where the housing is located within 30 days of signing the housing tenancy contract. The relevant construction (real estate) departments are authorized to impose a fine of up to RMB1,000 on individuals, and a fine between RMB1,000 and RMB10,000 on other legal entities which are not natural persons and which fail to comply with the regulations within the specified time limit.

## **(K) MORTGAGES OF REAL ESTATE**

Under the "Urban Real Estate Law" promulgated in July 1994, and last amended in January 2020, the PRC Civil Code (中華人民共和國民法典) promulgated in May 2020 and implemented in January 2021 (the "**PRC Civil Code**") and the "Measures for Administration of Mortgages of Urban Real Estate" (城市房地產抵押管理辦法) promulgated in May 1997, as amended in August 2001 and March 2021, when a mortgage is created on a building, a mortgage shall be simultaneously created on the land use right of the land on which the property is situated. The mortgager and the mortgagee shall sign a mortgage contract. After a real estate mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the real estate administration authority at the location where the property is situated. A real estate mortgage contract shall come into effect on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the "**third-party rights**" item on the original property ownership certificate and then issue a certificate of third-party rights on the property to the mortgagee. If a mortgage is created on the commodity property put up for pre-sale or on property in development, the registration authority shall record the details on the mortgage contract. If construction of a property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the property after issuance of the certificates evidencing the rights and ownership to the property.

Part II of the PRC Civil Code, Real Property Rights, 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.

#### **(L) REAL ESTATE FINANCING**

The PBOC issued the "Circular on Further Strengthening the Management of Loans for Property Business" (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:

- (i) Property development loans should be granted to property developers that are qualified for property development, with high credit ratings and 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.
- (ii) Commercial banks shall not grant loans to property developers to finance the payment of land premium.
- (iii) Commercial banks may not provide loans in any form for a property development project without a land use right certificate, construction land planning permit, construction works planning permit and construction works commencement permit.

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) issued by the State Council in August 2003, 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.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the 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.

On September 27, 2007, the PBOC and the 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.

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.

#### (M) INSURANCE

Under PRC laws and regulations, there is no mandatory provision that requires a property developer to obtain insurance policies for its property developments. According to the common practice of the real estate industry in Guangdong, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies are required to pay for the insurance premium at their own costs and obtain insurance to cover their liabilities, such as third-party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all the aforementioned risks ceases immediately after the completion and acceptance upon inspection of construction.

#### (N) MAJOR TAXES APPLICABLE TO PROPERTY DEVELOPERS

##### Income Tax

According to the EIT Law which was promulgated by the NPC on March 16, 2007 and became effective on January 1, 2008 and as amended on February 24, 2017 and December 29, 2018, respectively, a uniform income tax rate of 25% is applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Furthermore, the EIT Law and its implementation rule provide that a withholding tax rate of 10% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted.

##### Business Tax and Value Added Tax

Pursuant to the "Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-Added Tax" (關於全面推開營業稅改徵增值稅試點的通知), the "transitioning from business tax to value-added tax" scheme became effective on May 1, 2016. The sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving the advance payment.

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項目增值稅徵收管理暫行辦法) issued on March 31, 2016 and implemented on May 1, 2016 and as amended on June 15, 2018 by SAT, "**self-development**" means infrastructure facilities and buildings erected on the land with land use rights which are developed by a real estate development company ("**taxpayer**"). These measures are also applicable to a development completed by a taxpayer after such project is taken over.

VAT is payable by taxpayers in the calendar month immediately following receipt of the presale proceeds of real estate self-development in accordance with the following formula:

$$\text{Prepaid VAT} = \text{Presale proceeds} \div (1 + \text{applicable rate or simplified rate}) \times 3\%$$

The applicable rate is 11%. Nevertheless, for taxpayers conducting old real estate projects and have chosen simplified tax method, the simplified rate of 5% will be applied in calculating the Prepaid VAT. Once simplified tax method is chosen, it will be applicable for 36 months.

Old real estate projects refer to (1) real estate projects with commencement dates of construction stated in the construction permits prior to April 30, 2016, and (2) construction projects which commencement dates of construction are not stated in the construction permits, or construction projects with commencement dates of construction stated in the construction contracts prior to April 30, 2016 but has yet to receive construction permits.

On November 19, 2017, the "Interim Regulations of the People's Republic of China on Business Tax" was abolished and the "Interim Regulations of the People's Republic of China on Value added Tax" (中華人民共和國增值稅暫行條例) (the "**Interim Regulations of the People's Republic of China on Value added Tax**") was revised by the State Council. According to the revised Interim Regulations of the People's Republic of China on Value added Tax, selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to value added tax. According to the "Notice on the Adjustment to VAT Rates" (財政部、國家稅務總局關於調整增值稅稅率的通知) jointly issued by MOF and SAT in April 2018, starting from May 1, 2018, the VAT rate has been lowered from 17% to 16% for manufacturing and some other industries, and from 11% to 10% for transportation, construction, real estate leasing service, sale of real estate, basic telecommunication services, and farm produce. Starting from April 1, 2019, the VAT rate for real estate industry has been lowered from 10% to 9%.

## LAT

According to the requirements of the "Provisional Regulations of the People's Republic of China on Land Appreciation Tax" (中華人民共和國土地增值稅暫行條例) (the "**Provisional Regulations**") promulgated on December 13, 1993 and effective on January 1, 1994, as amended on January 8, 2011, and the "Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax" (中華人民共和國土地增值稅暫行條例實施細則) (the "**Detailed Implementation Rules**") promulgated and effective on January 27, 1995, any appreciation amount gained from taxpayer's transfer of property shall be subject to LAT. LAT is levied according to four progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- (i) amount paid for obtaining the land use rights;
- (ii) costs and expenses for land development;
- (iii) costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- (iv) related tax payable for transfer of property; and
- (v) other deductible items as specified by the Ministry of Finance.

According to the requirements of the "Provisional Regulations, the Detailed Implementation Rules" LAT shall be exempted under any one of the following circumstances:

- (i) Taxpayers constructing ordinary standard residences for sale (i.e., the residences built in accordance with the local standard for general use residential properties; deluxe apartments, villas, resorts, for example, are not categorized as ordinary standard residences) in which the appreciation amount does not exceed 20% of the sum of deductible items;
- (ii) Property taken over and repossessed according to the law due to the construction requirements of the government; or
- (iii) Due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of which they have been living there for five years or more, and after obtaining tax authorities' approval;

After the enactment of the Provisional Regulations and the Detailed Implementation Rules, due to the longer period for the property development and transfer, many local tax authorities in the course of implementing the regulations and rules did not force the property developers to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau had separately and jointly issued several notices to restate the requirement that after the assignment contracts are signed, the taxpayers should declare the tax to the local tax authorities with jurisdiction over the underlying property,

and pay LAT in accordance with the amount calculated by the tax authority and the time 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 shall not process the relevant title change and shall not issue the property ownership certificate.

The State Administration of Taxation also issued the "Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to 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) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up sound taxpaying declaration system for LAT, and to modify the methods of pre-levying for the pre-sale of property. Such notice also pointed out that either for the property assignment contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within five years after January 1, 1994 for the first time is expired, and such tax shall be levied again.

On August 2, 2004, the State Administration of Taxation issued the "Notice of the State Administration of Taxation in Respect of Enhancing the Administration of Land Appreciation Tax" (關於加強土地增值稅管理工作的通知) in order to further clarify the taxpayers' duties in relation to filing of periodic tax returns, and the notice was amended on June 15, 2018. On August 5, 2004, the State Administration of Taxation issued the "Notice of the State Administration of Taxation in Respect of Further Enhancing the Administration on Collection of Urban Land Use Tax and Land Appreciation Tax" (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) to further enhance the administrative efforts relating to the collection of LAT. It is stipulated in this notice that the waiver of LAT on any land grant contracts executed prior to January 1, 1994 has expired, and that appreciation in land value shall be subject to LAT irrespective of the time of assignment.

On March 2, 2006, the State Administration of Taxation and the Ministry of Finance issued the "Circular of the Ministry of Finance and the State Administration of Taxation on Land Appreciation Tax (關於土地增值稅若干問題的通知)," which was amended on January 1, 2015. The circular stipulated the following:

- (i) Taxpayers constructing both ordinary residential properties and other commodity houses should calculate the LAT separately, and declare the tax to the local tax authorities where the properties are located.
- (ii) Local authorities shall determine, and adjust as appropriate, the provisional LAT rates considering the relevant real property market, the type of building constructed and any other applicable factors.
- (iii) A taxpayer who fails to prepay the LAT within the stipulated time frame may be liable to a penalty under the "Administrative Law of the People's Republic of China on the Levying and Collection of Taxes."
- (iv) In relation to completed property projects, if 85% or more of the saleable GFA has been assigned or transferred, then the local tax authority may require the taxpayer to pay tax on the income from the assigned or transferred property.

On December 28, 2006, the State Administration of Taxation issued the "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 was amended on June 15, 2018.

Pursuant to the notice, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole uncompleted development project; or (3) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if any of the following criteria is met: (1) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA

has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (3) the developer applies for cancelation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the tax authorities.

The notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; and (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

To further strengthen LAT enforcement, in May 2009, the State Administration of Taxation 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 became effective on June 1, 2009.

On May 19, 2010, the State Administration of Taxation has issued the "Circular on Issues Concerning Settlement of Land Appreciation Tax" (關於土地增值稅清算有關問題的通知) which clarifies revenue recognition in the settlement of LAT and other relevant issues. According to the said circular, in the settlement of LAT, if the sales invoices of commodity properties are issued in full, the revenue shall be recognized based on the amount indicated in the invoices; if the sales invoices of commodity properties are not issued or are issued in part, the revenue shall be recognized based on the purchase price indicated in the sales contract as well as other proceeds. If the area of a commodity property specified in a sales contract is inconsistent with the result obtained by the relevant authorities after on-site survey, and if purchase price for the property is made up or refunded before the settlement of LAT, adjustments shall be made accordingly in the calculation of LAT. The said circular also provides that the deed tax paid by a real estate development enterprise for land use rights shall be treated as the "relevant fees paid in accordance with the uniform regulations of the state" and be deducted from the "amount paid for land use rights."

On May 25, 2010, the State Administration of Taxation published the "Circular on Strengthening the Collection and Administration of Land Appreciation Tax" (關於加強土地增值稅徵管工作的通知) to require all local governments to scientifically formulate the tax rate and strengthen provisional LAT taxation. According to this circular, all local governments shall make adjustments to the current provisional LAT rate. In addition to safeguarding housing, the provisional LAT rate of provinces in the eastern region shall not be lower than 2%, while the provinces in middle and northeastern region shall not be lower than 1.5% and the provinces in western region shall not be lower than 1%. The local governments shall determine the provisional LAT rate applicable to different types of real estate.

#### (O) Deed Tax

Pursuant to the "Interim Regulations of the People's Republic of China on Deed Tax" (中華人民共和國契稅暫行條例) promulgated by the State Council in July 1997 and as amended on March 2, 2019, 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, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record.

#### (P) Urban Land Use Tax

Pursuant to the "Interim Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land" (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council in September 1988 as last amended in March 2019 (the "**Interim Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land**"), the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between

RMB0.6 and RMB30. Any foreign investment enterprise using urban land is required to pay the tax on urban land use accordingly from January 1, 2007. According to the "Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China" (關於外商投資企業和外國企業在華機構的用地不徵收土地使用稅的通知) promulgated by the Ministry of Finance on November 2, 1988 and the "Approval on Land Use Tax Exemption of Foreign-Invested Enterprises" (關於外商投資企業征免土地使用稅問題的批復) issued by State Administration of Taxation on March 27, 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise. However, the Interim Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land were revised by the State Council on December 31, 2006. As of January 1, 2007, land use tax shall be collected from foreign-invested enterprises. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

#### **(Q) 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 and 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.

#### **(R) Stamp Duty**

Under the "Interim regulations of the People's Republic of China 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 building property transfer instruments, including those in respect of property ownership transfer, the duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item. The Stamp Duty Law of the People's Republic of China (中華人民共和國印花稅法) was promulgated on June 10, 2021 and shall come into force as at July 1, 2022 while the Interim Regulations of the PRC on Stamp Duty will then be repealed on the same date. According to the Stamp Duty Law, from July 1, 2022, in respect of taxable documents of real estate transfer including property transfer instruments, the stamp duty rate remains at 0.05% of the amount stated therein, and no stamp duty will be levied on permits and certificates relating to rights.

#### **(S) Municipal Maintenance Tax**

Under the "Interim Regulations of the People's Republic of China on Municipal Maintenance Tax" (中華人民共和國城市維護建設稅暫行條例), which was promulgated by the State Council in 1985, amended on January 8, 2011, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 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.

In October 2010, the State Council issued the "Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign 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), pursuant to which, from December 1, 2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the "Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises" (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知) promulgated by the Ministry of Finance and the State Administration of Taxation in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

Effective from September 1, 2021, the Municipal Maintenance Tax Law of the People's Republic of China (中華人民共和國城市維護建設稅法) ("**Municipal Maintenance Tax Law**") has superseded the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax. Pursuant to Municipal Maintenance Tax Law, all entities and individuals who are subject to VAT or consumption tax

within the territory of the People's Republic of China are required to pay municipal maintenance tax. Municipal maintenance tax shall be calculated based on the amount of VAT or consumption tax actually paid by taxpayers in accordance with the law. The tax rate shall be 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. The amounts of VAT and consumption tax paid for imported goods or labor services, services or intangible assets sold within the territory of China by overseas entities and individuals are not subject to municipal maintenance tax.

#### (T) Education Surcharge

Pursuant to the aforesaid "Unification of Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals" (國務院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), from December 1, 2010, an education surcharge is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals.

Pursuant to the aforesaid "Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises" (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知), foreign-invested enterprises must pay an education surcharge on any value-added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from paying an education surcharge on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

The Announcement of the Ministry of Finance and the State Taxation Administration on the "Measures for Determining the Tax Basis of Municipal Maintenance Tax and Other Matters" (財政部、稅務總局關於城市維護建設稅計稅依據確定辦法等事項的公告) was issued on August 24, 2021 and took effective on September 1, 2021, according to which, municipal maintenance tax shall be calculated based on the amount of value-added tax ("VAT") and consumption tax (hereinafter referred to as "**amount of two taxes**") actually paid by taxpayers in accordance with the law, and the amount of two taxes shall exclude the amount of two taxes paid for the import of goods or paid by overseas entities and individuals for selling labor services, services, and intangible assets in China. The tax basis of education surcharge and local education surcharges shall be consistent with that of municipal maintenance tax.

#### (U) MEASURES ON STABILIZING HOUSING PRICES

The General Office of the State Council promulgated the "Circular on Stabilizing Housing Prices" (關於切實穩定住房價格的通知) in March 2005, requiring measures to be taken to keep housing prices from increasing too fast and to promote the healthy development of the property market. The "Opinions on Work of Stabilizing Housing Price," jointly issued by the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Administration of Taxation and the CBRC in April 2005 provides that:

- (i) Where housing prices grow too fast at a time when the supply of medium- or low-priced ordinary commodity houses and affordable housing is insufficient, construction of new names should mainly focus on projects of medium- or low-priced ordinary commodity houses and affordable housing. The construction of low-density, high-quality houses shall be strictly controlled. With respect to construction projects of medium- or low-priced ordinary commodity houses, before land supplying, the municipal planning authority shall, according to controlling detailed planning, set forth such conditions for planning and design as height, plot ratio and green space, while the property authority, together with other relevant authorities, shall set forth such controlling requirements as sale price, type and area. Such conditions and requirements will be established as preconditions of land grant to ensure adequate supply of medium- or low-priced houses and houses with a medium or small area. Local governments are asked to strengthen the supervision of planning permit for property development projects. Housing projects that have not been commenced within two years must be examined again, and those not in compliance with the planning permits shall have their permits revoked.
- (ii) Where the price of land for residential use and residential house grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses with medium or low price and economical



houses should be especially increased. Land supply for villa construction shall continue to be suspended, and land supply for high-end housing property construction shall be strictly restricted.

- (iii) The idle land fee shall be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use right of land that has not been developed for two years shall be forfeited without compensation.
- (iv) Starting from June 1, 2005, business tax on the transfer of a residential house by an individual within two years from date of purchase shall be levied on the basis of the full amount of the income therefrom. For an individual having transferred an ordinary residential house for two years or more from date of purchase, the business tax will be exempted. For an individual having transferred a residential property other than ordinary residential house for two years or more from date of purchase, the business tax will be levied on the basis of the difference between the income from selling the house and the purchase price.

Low- to medium-cost ordinary residential houses with a medium or small area may enjoy such preferential policies as planning permit, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio of the residential development is above 1.0, the floor area of a single unit is less than 120 sq.m., and the actual transfer price is lower than 1.2 times of the average transfer price of houses located on the land of the same level. The local government of a province, autonomous region or municipality may, based on actual circumstances, set up the specific standard for ordinary residential houses enjoying the preferential policies. Under the "Circular on Setting up the Standard for Ordinary Residential House in Guangdong Province" (廣東省建設廳關於確定我省普通住房標準的通知) issued by Guangdong Provincial Construction Bureau in June 2005, ordinary houses in Guangdong Province enjoying preferential policies must also satisfy the following conditions: the plot ratio of the residential district is above 1.0, the gross floor area of one single unit is less than 120 sq.m. or the internal gross floor area of a single unit is less than 144 sq.m., and the actual transfer price is lower than 1.44 times of the average transfer price of houses located on the land of the same level.

The transfer of uncompleted commodity properties by any pre-sale purchaser shall be prohibited. A system shall be adopted to require purchasers to buy properties in their real names. Any commodity property pre-sale contract shall be filed through the internet immediately after its execution.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued the "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). Such opinions reiterated the existing measures and introduced new measures intended to further curtail the rapid increase in property prices in large cities and to promote healthy development of the PRC property market. These measures, among others, include the following:

- (i) 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;
- (ii) requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a GFA less than 90 sq.m. per unit and that projects which have received project development approvals prior to that 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 and provincial capitals may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- (iii) increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying residential property if the underlying property has a GFA of 90 sq.m. or more, as effective from June 1, 2006;
- (iv) prohibiting commercial banks from lending funds to property developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the project, 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 taking commodity properties which have been vacant for more than three years as security for mortgage loans; and

- (v) imposing a business tax levy on the entire sales proceeds from the re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005; where an individual transfers a residential property other than an ordinary residential property after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price.

To carry out "Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices," the Ministry of Construction promulgated "Opinions on Carrying Out Structure Proportion of Newly-Built Housing" (關於落實新建住房結構比例要求的若干意見) on July 6, 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

- (i) from June 1, 2006, in any city (including county), the floor area of the housing which is less than 90 sq.m. should total at least 70% of the total floor area of commercial commodities newly approved or constructed in a given year;
- (ii) according to the above requirements, the governments should guarantee the conditions of planning and design of newly built commodity buildings and that such buildings conform to the structure proportion requirements. Any digression from the above-mentioned requirements without authorization is forbidden. Construction works planning permits should not be issued by the municipal planning authority if there is any noncompliance with the planning permits; certifications should not be issued by the authority charged with censoring construction documents; construction works permits should not be issued by the construction authority; permits for pre-sale of commodity buildings should not be issued by the property development authority; and
- (iii) for projects which were approved before June 1, 2006 but that have not obtained construction permits, the city governments should adjust specific projects to conform to the structure proportion requirements in that year.

On July 11, 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, SAIC and SAFE jointly promulgated the "Opinions on Regulating the Admittance and Administration of Foreign Capital in the Real Estate Market" (關於規範房地產市場外資准入和管理的意見), which provided as follows:

- (i) an overseas entity or individual investing in real estate in China other than for self-use shall apply for the establishment of a foreign-invested real estate enterprise in accordance with applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities;
- (ii) the registered capital of a foreign-invested real estate enterprise with a total investment of US\$10 million or more shall not be less than 50% of its total investment amount, whereas for a foreign-invested real estate enterprise with a total investment of less than US\$10 million, the current rules on registered capital shall apply;
- (iii) a newly established foreign-invested real estate enterprise can only obtain an interim approval certificate and business license which are valid for one year. The formal approval certificate and business license can be obtained by submitting the land use rights certificate to the relevant government departments after the land grant premium for the land has been paid;
- (iv) an equity transfer of a foreign-invested real estate enterprise or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the relevant commerce administration authorities. The investor shall submit a letter to the relevant commerce authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use rights certificate, the registration of change of investor and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid;

- (v) foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors' equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital and shall ensure that the enterprise's employees and bank loans are properly handled with in accordance with applicable PRC laws;
- (vi) if the registered capital of a foreign-invested real estate enterprise is not yet fully paid, its land use rights certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the foreign-invested real estate enterprise is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans;
- (vii) the investors in a foreign-invested real estate enterprise shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; and
- (viii) a branch or representative office established by a foreign investor in China (other than a foreign-invested real estate enterprise), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

On August 19, 2015, the MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly promulgated the "Circular on Amending the Policies Concerning Access by and Administration of Foreign Investment in the Real Estate Market" (《關於調整房地產市場外資准入和管理有關政策的通知》) which amended certain policies on the "Opinions on Regulating the Admittance and Administration of Foreign Capital in the Real Estate Market" (關於規範房地產市場外資准入和管理的意見) as follows, the requirements for the registered capital of foreign-invested real estate enterprises shall follow the provisions in the Provisional Regulations of the State Administration for Industry and Commerce on the "Proportion of Registered Capital to Total Amount of Investment of a Sino-foreign Equity Joint Ventures" (《國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定》) promulgated and became effective on January 1, 1987; the requirement on full payment of registered capital of the foreign-invested real estate enterprises before applying for domestic or foreign loans or foreign exchange loan settlement is canceled.

On September 1, 2006, SAFE and the Ministry of Construction jointly issued "Notice in respect of Standardization of Issues Relating to Management of Foreign Exchange of Real Estate Market" (關於規範房地產市場外匯管理有關問題的通知), which was amended on May 4, 2015. This notice provides, among other things, the specific procedures for purchasing houses by branches and representative offices established in the PRC by foreign institutions, foreign individuals who work or study in the PRC for more than one year, and residents of Hong Kong, Macau and Taiwan as well as foreigners of Chinese origin.

On May 23, 2007, MOFCOM and SAFE promulgated the "Circular on Further Reinforce and Standardize the Examination and Supervision on Foreign Direct Investment in Real Estate Industry" (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) (Shang Zi Han No. 50, 2007), which was amended in October 2015. The circular provides stricter controlling measures including, among others:

- (i) Where the application in filed for establishment of the real estate company, the land use rights, the ownership of the real property should be obtained first, or the pre-assignment/purchase agreement has already been concluded with the land administration authority, land developer/owner of the real property. If the above requirements have not been satisfied, the approval authority shall not approve the application.
- (ii) Acquisition of or investment in domestic real estate enterprises by way of return investment (including the same actual controlling person) shall be strictly controlled.

Oversea investors may not avoid approval for foreign investment in real estate by way of changing the actual controlling person of the domestic real estate enterprise. Once the foreign exchange authority has found the foreign-invested real estate enterprise established by way of deliberately avoiding and false representation, it shall take action against the enterprise's conduct of remittance of capital and interest accrued without approval, and the enterprise shall bear the liability for cheated purchase and evasion of foreign exchange.

Agreement as to any fixed return or of the same effect for either party of foreign-invested real property enterprises is prohibited.

The local SAFE administrative authority and designated foreign exchange banks shall not conduct foreign exchange purchase and settlement process for any foreign-invested real property enterprises who fail to satisfy the Ministry of Construction's filing requirement.

The "Rules Regarding the Grant of State-owned Land Use Rights for construction by Way of 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) provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and/or commence development on the land, effective November 1, 2007.

Pursuant to the notice on "Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans" (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%. On October 22, 2008, the Ministry of Finance and the State Administration of Taxation issued the "Notice on the Adjustments to Taxation on Real Property Transactions" (關於調整房地產交易環節稅政策的通知) which was amended on October 1, 2010, pursuant to which, from November 1, 2008, the rate of deed tax has been reduced to 1% for a first time home buyer of an ordinary residence with a unit floor area less than 90 sq.m., individuals who are to sell or purchase residential properties are temporarily exempted from stamp duty and individuals who are to sell residential properties are temporarily exempted from LAT.

On December 20, 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干意見), which aims to, among other things, encourage the consumption of ordinary residential units and support property developers in changing market conditions. Pursuant to the opinion, in order to encourage the consumption of ordinary residential units, from January 1, 2009 to December 31, 2009, (i) business tax will be imposed on the full amount of the sale price, upon the transfer of a non-ordinary residential unit by an individual within two years from the purchase date; (ii) for the transfer of a non-ordinary residential unit which has been held by the purchaser for more than two years from the purchase date and an ordinary residential unit which has been held by the purchaser for two years or less from the purchase date, the business tax is to be levied on the difference between the sale price and the purchase price; and (iii) in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residential unit that is smaller than the average size for their locality may buy a second ordinary residential unit under favorable loan terms similar to first time buyers. In addition, support for property 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 property developers with good credit standing for merger and acquisition activities.

On January 26, 2011, 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), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

On January 27, 2011, the Ministry of Finance and the State Administration of Taxation jointly issued a "Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties" (關於調整個人住房轉讓營業稅政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after five years from the individual owner's purchase. This notice became effective on January 28, 2011 and was replaced by a notice of the same name on March 30, 2015, which stipulated that business tax is imposed on (i) the full amount of transfer price upon the transfer of any residential property by an individual owner within two years from such individual owner's purchase and (ii)

the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than two years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after two years from the date of the individual owner's purchase.

On February 20, 2013, the executive meeting of the State Council chaired by Premier Wen Jiabao emphasized the strict implementation of tightening measures for the real estate market. The measures include completing a system of responsibility for stabilizing housing prices; restraining purchases of residential housing for investment and speculation purposes; expanding the supply of both ordinary commodity housing and of land; accelerating construction of affordable housing projects; and strengthening market supervision.

On February 26, 2013, the General Office of the State Council announced the "Notice on Continuing to Improve the Regulation and Control of the 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), which among others, provides the following requirements: (i) limitations on the purchase of commodity properties must be strictly implemented, and the scope of such limitations must cover all newly constructed commodity properties and second-hand properties located within the entire administrative area of the city; (ii) for those cities with excessive increase in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties; and (iii) the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information such as tax filings and property registration.

On September 29, 2014, the 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), which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide 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 as required by relevant policies.

In March 2015, the PBOC, CBRC and MOHURD jointly issued the "Notice on Relevant Issues Concerning the Individual Housing Loan Policy" (關於個人住房貸款政策有關問題的通知), which provides that where households that own a residential property and have not paid off their existing mortgage loan applies for a new mortgage loan to buy another residential property to improve their living conditions, the minimum down payment will be 40% of the property price, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower.

On February 1, 2016, the 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 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 which 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% which is lower than the previous requirement of not less than 40%.

On October 10, 2016, the MOHURD issued the "Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order" (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

## FOREIGN EXCHANGE

With effect from January 1, 1994, the PRC government abolished its two-tier exchange rate system and replaced it with a unified floating exchange rate system based largely on supply and demand. Financial institutions authorized to deal in foreign currency may enter into foreign exchange transactions at exchange rates within an authorized range above or below the exchange rate published by the PBOC according to market condition. However, despite such developments, RMB is still not a freely-convertible currency.

Pursuant to the Foreign Exchange Control Regulations of the PRC (中華人民共和國外匯管理條例) issued by the State Council which came into effect on April 1, 1996 and was last amended on August 5, 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定), which came into effect on July 1, 1996, foreign investment enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange from their foreign exchange bank accounts in the PRC.

If foreign investment enterprises require foreign exchange services for transactions relating to current account items, they may, without approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof. If such enterprises need foreign exchange services for the distribution of dividends to their shareholders, they may, on the strength of a board of directors resolution authorizing the distribution of dividends and any other relevant documents, effect payment from their foreign exchange accounts and make such payments at the designated foreign exchange bank.

However, convertibility of foreign exchange in respect of capital account items, like direct investment and capital contributions, is still subject to restriction, and prior approval from SAFE or its relevant branches must be sought.

On October 23, 2019, SAFE issued the "Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment" (國家外匯管理局關於進壹步促進跨境貿易投資便利化的通知), which, among other things, expanded the use of foreign exchange capital to the domestic equity investment area. Foreign invested enterprises, regardless of their business scope, are allowed to conduct domestic equity investment with their foreign exchange capital on the premise that they abide by the Negative List and the project invested are real and compliant.

On April 28, 2013, SAFE issued the "Notice regarding Promulgation of Administrative Measures on Foreign Debt Registration" (國家外匯管理局關於發佈<外債登記管理辦法>的通知), which became effective on May 13, 2013, as amended on May 4, 2015, including three appendices: (i) Administrative Measures on Foreign Debt Registration; (ii) Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引) (the "**Operating Guidelines for Foreign Debt Registration Administration**"); and (iii) List of Repealed Regulations. The measures stipulate the general provisions on foreign debt registration, administrative provisions on foreign debt account management, use and settlement of foreign debt funds, foreign guarantees for domestic loans, foreign exchange management for outbound transfer of non-performing assets, as well as relevant penalty provisions. The Operating Guidelines for Foreign Debt Registration Administration provide specific operational rules in relation to foreign debts administration, which contain 15 items. Among these 15 items, foreign debt registration of foreign invested real estate enterprises is regulated as follows: (i) foreign invested real estate enterprises established before June 1, 2007, which have increased their registered capital on and after June 1, 2007, may raise foreign debt financing limited to the balance of the difference between its total investment and registered capital, **provided that** if such difference between its total investment and registered capital after increasing its capital is smaller than that of before increasing its capital, the smaller one shall prevail; (ii) SAFE will no longer process foreign debt registration or foreign exchange settlement for foreign debt for foreign invested real estate enterprises that obtained approval certificates from and filed with MOFCOM on or after June 1, 2007; and (iii) foreign invested real estate enterprises of which the land use rights certificate has not been obtained, or the project capital is less than 35% of the total investment of the project, are prohibited from raising foreign debt financing, and SAFE will not process foreign debt registration for such enterprises.

On September 14, 2015, the NDRC issued the "Circular of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-filing and Registration System for the Issuance of Foreign Debts by Enterprises" (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) to remove the quota review and approval system for the issuance of foreign debts by enterprises,

reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system.

On May 10, 2013, SAFE issued the "Notice on Printing and Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and its Ancillary Documents" (國家外匯管理局關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知), which was last amended on December 30, 2019 and includes three appendices as follows: (i) the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China; (ii) the List of Repealed Regulations on Foreign Exchange Administration over Direct Investment in China; and (iii) the Business Operating Guidelines for Domestic Direct Investment. The Business Operating Guidelines for Domestic Direct Investment was later abolished on December 30, 2019.

The "Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China" (外國投資者境內直接投資外匯管理規定), effective on May 13, 2013, last amended on December 30, 2019, set out the general principles for foreign exchange control in direct investments by foreign investors, and specific provisions on the foreign exchange registration, foreign exchange account management, foreign exchange settlement and sales, as well as supervision and administration of banks engaging in the foreign exchange business related to direct investments by foreign investors. The provisions apply to foreign investors setting up foreign invested enterprises, foreign invested projects and foreign invested financial institutions in China through methods of new establishment, mergers or acquisitions, and obtaining the ownership right, control right and business management right of domestic enterprises.

On January 10, 2014, SAFE issued the "Notice of the State Administration of Foreign Exchange on the Further Improvement and Adjustment of the Foreign Exchange Control Policy for Capital Projects" (國家外匯管理局關於進一步改進和調整資本項目外匯管理政策的通知), effective on February 10, 2014, which provides for, among others: (i) loosening of certain administrative procedures for the initial expenses outlay for overseas direct investments by domestic enterprises; (ii) loosening of certain restrictions on overseas lending by domestic enterprises; and (iii) simplifying the procedures for remitting profits offshore by domestic enterprises.

On March 30, 2015, the SAFE issued the "Notice on the Reform of Foreign Investment Enterprises of Foreign Exchange Capital Settlement Management" (關於改革外商投資企業外匯資本金結匯管理方式的通知), which became effective on June 1, 2015 and was amended on December 30, 2019. The notice provides that a voluntary foreign exchange settlement system will be established. On June 9, 2016, SAFE issued the "Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement" (關於改革和規範資本項目結匯管理政策的通知) to further reform foreign exchange capital settlement nationwide.

On August 19, 2015, the MOHURD, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly issued the "Notice on Adjusting the Admittance and Administration of Foreign Capital in the Real Estate Market" (關於調整房地產市場外資准入和管理有關政策的通知). According to this notice, the foreign invested real estate enterprises can directly conduct foreign exchange registration concerning foreign direct investment in banks according to foreign exchange regulations.

According to the "Circular of the State Administration of Foreign Exchange on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews" (國家外匯管理局關於進一步推進外匯管理改革真實合規性審核的通知) issued by the SAFE on January 26, 2017, policies on managing the remittance of profits from foreign exchange of direct investment will be further implemented and improved.

### **Environment Protection in the Development of Real Estate**

The laws and regulations governing the environmental requirements for real estate developments in the PRC include the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (2017 revision) (建設項目環境保護管理條例 (2017修訂)). Pursuant to those laws and regulations, the developer shall, in the phase of construction project feasibility study, submit the construction project environmental impact report, environmental impact

statement or environmental impact registration form to the relevant government authorities for approval before commencement of construction. When there is a material change in respect of the construction site, or in the scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. Simultaneous design, simultaneous construction and simultaneously going into operation with the main body project must be realized for matching environmental protection facilities construction which is required for the construction project. In addition, the developer shall, during the trial production of a construction project, monitor the operations of the environmental protection facilities and the environmental impact of the construction project. On completion of construction, the developer shall make an acceptance check of the environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council. The developer shall make the acceptance report publicly available in accordance with the law unless it is required to keep confidential according to national provisions. Acceptance checks for completion of construction of environmental protection facilities shall be conducted simultaneously with the acceptance checks for of the main body project.

The Ministry of Environmental Protection issued the "Rules on the Examination and Approval of Environmental Impact Assessment Documents of Construction Projects by Authorities at Various Levels" (建設項目環境影響評價文件分級審批規定) on January 16, 2009, effective from March 1, 2009. According to the Rules, the power endowed to the authorities at various levels in charge of the examination and approval of environmental impact assessment documents of construction projects shall, in principle, be determined in accordance with the power to examine, approve, verify and file the construction project concerned as well as the nature and degree of the environmental impact brought by the construction project concerned. The Ministry of Environmental Protection may entrust the local environmental protection department at provincial level at the place of the project to exercise part of its statutory power of examination and approval, in which case, public announcement thereof shall be made.



## RELATED PARTY TRANSACTIONS

The following table summarizes certain related party transactions between us or our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated.

	2020	2021
	<i>RMB'000</i>	
<b>Companies controlled by Mr. Lun Ruixiang:</b>		
Construction costs	17,877	16,988
Office rental expenses	2,248	1,838
Management fee expenses	14,499	24,561
Management fee income	405	398
Consulting fee expenses	3,505	-
Selling expenses	3,100	34,419
Operating expenses	3,400	17,200
<b>Joint venture:</b>		
Interest income	16,653	13,034

## PRINCIPAL SHAREHOLDERS

As at December 31, 2021, the following persons or institutions had an interest of 5% or more in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

<u>Name of Director</u>	<u>Nature of Interests</u>	<u>Number of shares<sup>(1)</sup></u>	<u>Underlying shares interested</u>	<u>Total</u>	<u>Approximate percentage of shareholding</u>
Mr. Lun Ruixiang	Interest in a controlled corporation <sup>(2)</sup>	4,421,241,000 <sup>(1)</sup>	—	4,421,241,000	84.15%
	Interest of spouse	44,659,000 <sup>(1)(3)</sup>	2,600,000	47,259,000	0.90%
	Beneficial owner	—	9,600,000	9,600,000	0.18%
Ms. Chan Hau Wan	Interest of spouse	4,421,241,000 <sup>(1)(2)</sup>	9,600,000	4,430,841,000	84.33%
	Interest in a controlled corporation	44,659,000 <sup>(1)</sup>	—	44,659,000	0.85%
	Beneficial owner	—	2,600,000	2,600,000	0.05%
Wui Ying Holdings Limited	Interest in a controlled corporation	4,421,241,000 <sup>(1)</sup>	—	4,421,241,000	84.15%

1. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such shares.
2. Wui Ying Holdings Limited, holding 4,421,241,000 shares of the Company, is beneficially wholly-owned by Mr. Lun Ruixiang and Mr. Lun Ruixiang is deemed to be interested in the same number of shares held by Wui Ying Holdings Limited by virtue of the SFO. Since Ms. Chan Hau Wan is the spouse of Mr. Lun Ruixiang, she is also deemed to be interested in the same number of shares which are held by Mr. Lun Ruixiang by virtue of the SFO.
3. Wui Shing Holdings Limited, holding 44,659,000 shares of the Company, is beneficially wholly-owned by Ms. Chan Hau Wan and Ms. Chan Hau Wan is deemed to be interested in the same number of shares held by Wui Shing Holdings Limited by virtue of the SFO. Since Mr. Lun Ruixiang is the spouse of Ms. Chan Hau Wan, he is also deemed to be interested in the same number of shares which are held by Ms. Chan Hau Wan by virtue of the SFO.

## DIRECTORS AND SENIOR MANAGEMENT

### OVERVIEW

The Board currently consists of seven directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors.

The following table sets out certain information of our Directors and senior management:

#### Directors

Name	Age	Position(s)
Mr. Lun Ruixiang (倫瑞祥)	54	Chairman and Non-Executive Director
Mr. Lun Zhao Ming (倫照明)	57	Executive Director and Chief Executive Officer
Mr. Lu Peijun (盧沛軍)	49	Executive Director and Vice President
Mr. Luo Chengyu (羅成煜)	38	Executive Director and Vice President
Ms. Chiu Lai Kuen Susanna (趙麗娟)	62	Independent Non-Executive Director
Mr. Hung Wan Shun Stephen (熊運信)	62	Independent Non-Executive Director
Ms. Lin Yanna (林燕娜)	58	Independent Non-Executive Director

#### Senior Management

Name	Age	Position(s)
Mr. Chen Yu (陳鈺)	47	Chief Financial Officer
Mr. Chen Shaobin (陳少斌)	54	Vice President
Ms. Lun Ying Kit (倫櫻杰)	28	Vice President

### DIRECTORS

#### Chairman and Non-Executive Director

**Mr. Lun Ruixiang (倫瑞祥)**, aged 54, was appointed as a Director on January 9, 2019 and was appointed as chairman of the Board and redesignated as a non-executive Director on March 25, 2019. He is also the chairman of the nomination committee and a member of the remuneration committee of the Board. Mr. Lun is responsible for formulating the overall strategies, development and directions, as well as monitoring the operations and management of the Group. Mr. Lun founded the Group in 2004 and has over 17 years of experience in residential and commercial property development and business development. Mr. Lun has been engaging in the automobile industry in Dongguan since January 1995.

Mr. Lun is a relative of Mr. Lun Zhao Ming and the father of Ms. Lun Ying Kit.

#### Executive Directors

**Mr. Lun Zhao Ming (倫照明)**, aged 57, is the chief executive officer of the Group. He was appointed as a Director and redesignated as an executive Director on March 25, 2019. Mr. Lun joined the Group in June 2005 as a chairman assistant and was primarily responsible for human resources and administration affairs. He was promoted as a vice president in November 2009, during which time he was engaged in overseeing the daily operation of the Group as well as management affairs. Mr. Lun was promoted as a senior vice president in January 2015, and was promoted as the chief executive officer of the Group in January 2018. In addition to monitoring our daily operation and management, he is also in charge of formulating the Group's business strategies and directions and serving as director of a number of subsidiaries of the Company.

Prior to joining the Group, Mr. Lun worked at Dongguan Humen Port Mayong Xinsha Development Co., Ltd. (東莞市虎門港麻涌新沙開發有限公司), a company primarily engaged in industrial park development, from September 2003 to May 2005. Mr. Lun graduated from Sun Yat-Sen University in the PRC with a bachelor's degree in science in July 1984.

Mr. Lun is a relative of Mr. Lun Ruixiang and Ms. Lun Ying Kit.

**Mr. Lu Peijun (盧沛軍)**, aged 49, joined the Group as the financial controller in March 2005 and became a vice president in May 2015. He was appointed as a Director and redesignated as an executive Director on March 25, 2019. He is a director of certain subsidiaries of the Company. Mr. Lu is mainly responsible for the management of the financial department and legal department of the Company and assisting in monitoring project implementation and progress. He has more than 12 years of finance-related experience before joining the Group. He worked at Guangdong Development Bank (廣東發展銀行) (now known as China Guangfa Bank (廣發銀行)) from January 1994 to March 2005.

Mr. Lu graduated from South China Normal University with a degree of bachelor in legal studies through online education in February 2005.

**Mr. Luo Chengyu (羅成煜)**, aged 38, was appointed as an executive Director of the Company on May 7, 2021. Mr. Luo is an executive Director, Vice President of the Group and the president of the Urban Renewal Group. He obtained a bachelor's degree in traffic engineering from Huazhong University of Science and Technology in 2006 and a master's degree in architecture and civil engineering from Huazhong University of Science and Technology in 2014. From 2008 to 2016, he worked for the People's Government of Town Street governed by Dongguan City, responsible for urban construction and planning, investment promotion, major municipal projects management, industrial park development and etc. From 2016 to 2017, he was the head of the Urban Renewal Industry Center of Guangdong Zhongtian Group. He is familiar with the operation mode and rules of urban renewal with rich experience in project management, as well as excellent coordination capability.

#### **Independent Non-Executive Directors**

**Ms. Chiu Lai Kuen Susanna (趙麗娟)**, MH, JP aged 62, was appointed as an independent non-executive Director on December 11, 2019. Ms. Chiu is also the chairman of the audit committee of the Board.

Ms. Chiu has over 32 years of experience in accounting, business management and operations. From 2000 to 2006, Ms. Chiu joined DVN Holdings Company Limited (currently known as Frontier Services Group) (Stock Exchange stock code: 0500), a company specializing in development and sales of digital broadcasting systems, where she was the chief operating officer and the senior vice president of the Business Development and Corporate Affairs. During 2006 to 2019, she served as senior vice president, group chief representative in Eastern China Region and consultant under the Fung Group, which engaged in trading, distribution, logistics and retailing businesses. She has been serving as an independent non-executive director of Kato (Hong Kong) Holdings Limited (Stock Exchange stock code: 2189), Songz Automobile Air Conditioning Co., Ltd. (Shenzhen Stock Exchange stock code: 2454), Huali University Group Limited (Stock Exchange stock code: 1756) and China Oilfield Services Limited (Stock Exchange stock code: 2883) since May 2019, May 20, 2020, July 17, 2020 and June 2, 2021, respectively.

Ms. Chiu was awarded the Medal of Honor by the Hong Kong Government in 2013 for her achievement and dedication in public services especially in relations to the accounting profession. She was also awarded the "Outstanding Women Professionals" Award in 2014, "Distinguished Alumni" Award from Sheffield University and was also awarded "2017 Outstanding Business Women" by Hong Kong Commercial Daily in 2017. In 2017 and 2018, Ms. Chiu was awarded the "Justice of Peace" and "New Territories Justice of the Peace" respectively by the Hong Kong Government for her contribution to the community. Ms. Chiu has been a member of the Women's Commission since January 2017. She was also a member of the Equal Opportunities Commission from May 2009 to May 2017, as well as the Energy Advisory Committee from July 2014 to July 2018. Ms. Chiu is currently a member of The Chinese People's Political Consultative Conference of Shanghai.

Ms. Chiu graduated with First Class Honors in Economics from the University of Sheffield in the United Kingdom in 1982 and holds an Executive MBA degree from the Chinese University of Hong Kong in Hong Kong in 1997. Ms. Chiu was the President of the Council of the Hong Kong Institute of Certified Public Accountants in 2013, and the president of the Information Systems Audit and Control Association (China Hong Kong Chapter) from 2001 to 2005. She is a qualified Chartered Accountant from England, a Hong Kong Certified Public Accountant, PRC Certified Public Accountant and Auditor of the Information Systems Audit and Control Association.

**Mr. Hung Wan Shun Stephen (熊運信)**, aged 62, was appointed as an independent non-executive Director on December 11, 2019. He is also a member of the audit committee, remuneration committee and nomination committee of the Board.

Mr. Hung is a solicitor in Hong Kong and has over 26 years of experience in legal practice. Mr. Hung was admitted as a solicitor in Hong Kong in May 1995. Mr. Hung is currently with Li & Partners, a Hong Kong based law firm and has been a partner of the firm since December 2014.

Mr. Hung was a member of the Council of the Law Society of Hong Kong (the "**Law Society**") from October 2003 to May 2020. He was elected as vice-president of the Law Society from May 2012 to August 2014 and president from August 2014 to June 2016. Mr. Hung has also been the representative for Law Society in the Judicial Officers Recommendation Commission from July 2015 to July 2019, the representative for the Duty Lawyer Service Council since February 2018 and Chairman from January 2021 to January 2022. Mr. Hung has been serving various appointments including the Financial Reporting Council since December 2018; Communications Authority since April 2017; Professional Services Advancement Support Scheme Vetting Committee since January 2017; Hong Kong Examinations and Assessment Authority from September 2013 to September 2019; Sub-committee on Causing or Allowing the Death of a Child of the Law Reform Commission from February 2007 to August 2021; member for the Law Reform Commission since December 2020; and Lump Sum Grant Steering Committee from April 2015 to March 2020.

Mr. Hung received his degree of Bachelor of Arts from University of Winnipeg in Canada in May 1982. He later received his degree of Bachelor of Laws in December 1992 and Postgraduate Certificate in Laws in September 1993 from the University of Hong Kong in Hong Kong.

**Ms. Lin Yanna (林燕娜)**, aged 58, was appointed as an independent non-executive Director on December 11, 2019. Ms. Lin is also the chairman of the remuneration committee, and a member of audit committee and nomination committee of the Board.

Ms. Lin has over 19 years of experience in business management and operation. From January 2001 to August 2008, Ms. Lin worked as the general manager of Shanghai Bus Financial Management Company Limited (上海巴士財務管理有限公司), a company focusing on financial management and providing accounting services, and was responsible for the overall operational management, construction of operational structure and formulation of overall management and risk management policies. She was the director of and a member of the investment decision committee of Shanghai Stonecapital Co., Ltd. (上海磐石投資有限公司), an investment management company in China, from September 2008 to September 2018. At Shanghai Stonecapital Co., Ltd, she was mainly responsible for overseeing private equity investment and managing assets of Shanghai Stonecapital Co., Ltd.

Ms. Lin graduated from Shanghai University of Finance and Economics in the PRC in January 1999, with a master's degree in management. Ms. Lin also completed a master's program jointly organized by the Shanghai National Accounting Institute and the Chinese University of Hong Kong in the PRC and received a degree of Master in Accounting for Senior Management in December 2004.

## SENIOR MANAGEMENT

**Mr. Chen Yu (陳鈺)**, aged 47, the chief financial officer of the Group, has more than 20 years of experience in the field of corporate financial management. He has served as the chief financial officer or financial controller in many large listed multi-national companies (including Merged Healthcare Inc., Northern Telecom Network, MDS, Husky IMS., RioCan REIT, Pacific Securities and Canada Liuhe group). He has international vision and global collaboration experience. He served as the chief financial officer and general manager of Capital Market Operation center of Xinyuan Real Estate Co., Ltd. (鑫苑置業有限公司) from February 2019 to October 2020. Mr. Chen is proficient in the management practice of capital market operation, financial accounting, cost optimization, budget analysis and other modules, and has excellent financial leadership.

Mr. Chen graduated from the College of Economics at Peking University (北京大學) with a bachelor's degree in economics in 1998 and an MBA degree from Schulich School of business of York University in Toronto, Canada in 2004. He is a chartered professional accountant in Canada and a registered public accountant in the United States (Illinois).

**Mr. Chen Shaobin (陳少斌)**, aged 54, is a vice president of the Group. He first joined as the deputy general manager of Real Estate Development Department in the Group in April 2004 and became our vice president in May 2016. Mr. Chen is responsible for assisting the Group's outreaching affairs.

**Ms. Lun Ying Kit (倫櫻杰)**, aged 28, is the vice president of the Group. In 2016, she obtained a bachelor's degree in art and business from the University of New South Wales, Australia, and a master's degree in marketing from University of New South Wales, Australia in 2018. She is in charge of the Group's brand management, customer relationship management and commercial property sector with excellent market acumen, insight and team management ability.

Ms. Lun Ying Kit is the daughter of Mr. Lun Ruixiang and a relative of Mr. Lun Zhao Ming.

## **COMPANY SECRETARY**

**Mr. Lo Chi Ho Wilfred (羅熾顯)** was appointed as the Company Secretary of our Company on May 7, 2021. Mr. Lo joined the Group in April 2015 and is currently the financial controller of the Group. He is a member of both The Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lo holds a Bachelor Degree of Commerce (majoring in Accounting and Economics) from The University of Sydney in Australia and he has more than 20 years of experience in accounting, auditing, corporate governance and company secretarial practice.

## **BOARD COMMITTEES**

### **Audit Committee**

Our audit committee has three members, namely Ms. Chiu Lai Kuen Susanna, Mr. Hung Wan Shun Stephen and Ms. Lin Yanna, all being our independent non-executive Directors. Ms. Chiu Lai Kuen Susanna has been appointed as the chairlady of the audit committee, and is our independent non-executive Director possessing the relevant professional qualifications. The primary duties of the audit committee include, among other things, making recommendations to the Board on the appointment, reappointment and removal of the external auditor, reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and examining the financial positions of the Company.

### **Remuneration Committee**

Our remuneration committee has three members, namely Ms. Lin Yanna, Mr. Lun Ruixiang and Mr. Hung Wan Shun Stephen. Ms. Lin Yanna has been appointed as the Chairlady of the remuneration committee. The primary duties of the remuneration committee include, among other things, making recommendations to the Board on the Company's remuneration policy and structure for the Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, as well as on the remuneration packages of individual executive Directors and senior management.

### **Nomination Committee**

Our nomination committee has three members, namely, Mr. Lun Ruixiang, Mr. Hung Wan Shun Stephen and Ms. Lin Yanna. Mr. Lun Ruixiang has been appointed as the Chairman of the nomination committee. The primary duties of the nomination committee include, among other things, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

## **SHARE OPTION SCHEMES**

We adopted a share option scheme (the "**Pre-IPO Share Option Scheme**") on April 6, 2019, pursuant to which selected participants have been granted options to subscribe for an aggregate of 79,500,000 shares. The Pre-IPO Share Option Scheme provides incentives to eligible participants who contribute to the success of the Group's operations. As of December 31, 2021, there were outstanding options to subscribe for an aggregate of 65,500,000 shares, which were granted to a total of 30 grantees, who are directors and/or current employees of our Group.

On December 11, 2019, we adopted another share option scheme (the "**Post-IPO Share Option Scheme**") with the aim of, among other things, encouraging selected participants to work towards

enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Post-IPO Share Option Scheme provides the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants. The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 525,400,000. As of December 31, 2021, no options were granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme.

## DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing agreements with various financial institutions and enterprises. As of December 31, 2021, our total borrowings amounted to RMB3,596.2 million. Subsequent to December 31, 2021, we also incurred additional indebtedness. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

### PRC LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks and financial institutions and their local branches, including but not limited to Bank of Dongguan, Dongguan Rural Commercial Bank, Longchuan Rural Commercial Bank, Guangdong Huaxing Bank, Dongguan Trust Co., Ltd and their branches. These loans include project loans to finance the construction of our projects and loans to finance our working capital requirements. They have terms ranging from one year to three years, which generally correspond to the construction periods of the particular projects. As of December 31, 2021, the aggregate outstanding amount under these loans totaled approximately RMB3,596.2 million, of which RMB1,452.5 million was due within one year and RMB2,143.8 million was due over one year. Our PRC loans are typically secured by pledges of property, properties under development and completed properties held for sale as well as guaranteed by our controlling shareholders.

### Interest

As of December 31, 2021, the Group's borrowing of RMB3,596.2 million bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. 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. As of December 31, 2021, the effective interest rate of our PRC loans range from 1.51% to 14.0% per annum.

### Covenants

Under these PRC loans, many of our subsidiary borrowers have agreed, among other things, not to take 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;
- selling or disposing of assets; and
- incurring other indebtedness that may adversely affect their ability to repay their loans.

### Events of Default

The PRC loan agreements 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 the PRC banks and financial institutions 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, as of December 31, 2021, RMB3,596.2 million of the PRC loans were secured by land held for development for sale, properties under development and completed properties held for sale by the subsidiary borrowers and/or our other PRC subsidiaries. In addition, we have pledged certain shares in Huijing Group Co., Ltd., Hefei Fuhua Real Estate Co., Ltd. and Hengyang Huijing Real Estate Development Co., Ltd. for loans with PRC banks and financial institutions.

## Dividend Restrictions

Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries also agreed not to distribute any dividend until the borrower fully repays the principal and interest of the loan. See "*Risk Factors — Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees — Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.*"

## HONG KONG DOLLAR FACILITY AGREEMENT

On April 19, 2021, the Company (as borrower) entered into a facility agreement with Hang Seng Bank Limited (as lender) (the "**Bank**") pursuant to which a HK\$19.5 million revolving loan facility at the rate of interest equivalent to 5.5% per annum over the Hong Kong Interbank Offered Rate or the Bank's cost of funds, whichever is higher on the relevant date was granted to the Company for financing or refinancing the Group's offshore general working capital needs (including dividend payment and other operating costs). The aggregate principal amount of the loans outstanding under this facility is nil as at the date of this Exchange Offer Memorandum.

## UNITED STATES DOLLAR FACILITY AGREEMENT

On May 25, 2022, Hui Kong Holdings Limited 滙康控股有限公司 (as borrower) ("**Hui Kong**"), which is a subsidiary of the Company, entered into a facility agreement with Brighten Lead Opportunity VI Limited (as lender) ("**Brighten**") pursuant to which a US\$36 million facility at the rate of interest equivalent to 14% per annum, subject to the terms of such facility agreement, was granted to Hui Kong for repayment of its facility with Brighten. This facility is guaranteed by, among others, the Company and certain subsidiaries of the Company. The aggregate principal amount of the loan outstanding under this facility is US\$36 million as at the date of this Exchange Offer Memorandum.

## THE OLD NOTES

On July 22, 2021, we issued the Old Notes, being 12.50% senior notes due 2022 in an aggregate principal amount of US\$138 million. The Old Notes are guaranteed by certain offshore subsidiaries of the Company.

The Old Notes have the following terms as described below.

### Guarantee

The obligations pursuant to the Old Notes are guaranteed by certain offshore subsidiaries of the Company (the "**Old Notes Subsidiary Guarantors**") in accordance with the terms of the indenture dated July 22, 2021 governing the Old Notes (the "**Old Notes Indenture**"). Under certain circumstances and subject to certain conditions, a guarantee by an Old Notes Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the Old Notes Indenture.

Each of the Old Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the Old Notes.

## Interest

The Old Notes bear an interest rate of 12.50% per annum. Interest is payable in arrears on January 22, 2022 and July 21, 2022.

## Covenants

Subject to certain conditions and exceptions, the Old Notes Indenture 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;
- make investments or other specified restricted payments;
- issue or sell capital stock of restricted subsidiaries;
- guarantee indebtedness of restricted subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the 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 Old Notes Indenture contains certain customary events of default, including default in the payment of principal of (or premium, if any, on) any of the Old Notes, when the same becomes due, default in payment of interest which continues for 14 days, breaches of covenants, insolvency and other events of default specified in the Old Notes Indenture. If an event of default occurs and is continuing, the holders of at least 25% in aggregate principal amount of the Old Notes then outstanding, may declare the principal of, premium, if any, and accrued and unpaid interest on the Old Notes to be immediately due and payable.

## Change of Control

Upon the occurrence of a certain event of change of control, we are required to make an offer to repurchase all the Old 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.

## Maturity and Redemption

The maturity date of the Old Notes is July 21, 2022.

At any time prior to July 21, 2022, we may redeem the Old Notes, in whole but not in part, at a redemption price equal to 100% of principal amount plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date as set forth in the Old Notes Indenture.

At any time and from time to time prior to July 21, 2022, we may redeem up to 35% of the aggregate principal amount of the Old Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 112.50% of the principal amount of the Old Notes, 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 Old Notes issued on July 22, 2021 remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Additionally, if we or a subsidiary guarantor under the Old Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the Old Notes at a redemption price equal to 100% of the principal amount of the Old Notes, *plus* any accrued and unpaid interest, subject to certain exceptions.

On the date of this Exchange Offer Memorandum, we commenced the Exchange Offer in relation to the Old Notes, with certain exchange consideration.

## DESCRIPTION OF THE NEW NOTES

For purposes of this "Description of the New Notes," the term "**Company**" refers only to Huijing Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, and any successor obligor on the New Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company that guarantees the New Notes (other than a JV Subsidiary Guarantor (if any)) is referred to as a "**Subsidiary Guarantor**," and each such guarantee is referred to as a "**Subsidiary Guarantee**." Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee is referred to as a "**JV Subsidiary Guarantor**."

The New Notes are to be issued under an indenture (the "**Indenture**"), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and China Construction Bank (Asia) Corporation Limited, as trustee (the "**Trustee**").

The following is a summary of certain material provisions of the Indenture, the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). It does not restate those agreements 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 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 New Notes

The New Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the New Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described under "*The Subsidiary Guarantees and the JV Subsidiary Guarantees*" and in "*Risk Factors — Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees*";
- effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The New Notes will mature in July 2023 (364 days after the Original Issue Date)(the "**Maturity Date**"), unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional New Notes to be issued from time to time (the "**Additional New Notes**"), subject to certain limitations described under "*Further Issues*." Unless the context requires otherwise, references to the "**New Notes**" for all purposes of the Indenture and this "**Description of the New Notes**" include any Additional New Notes that are actually issued. The New Notes will bear interest at 12.50% 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 in arrears on the date being the end of the six-month period starting from the Original Issue Date and the Maturity Date (each an "**Interest Payment Date**"). The Company will pay interest (including post-petition interest in any proceeding under any applicable bankruptcy law) on overdue principal and premium, if any, at the rate equal to 2% per annum in excess of the then applicable interest rate on the New Notes to the extent lawful; it will pay interest (including post-petition interest in

any proceeding under any applicable bankruptcy law) on overdue instalments of interest and Additional Amounts (without regard to any applicable grace period) at the same rate to the extent lawful.

Interest on the New Notes will be paid to Holders of record at the close of business on the 15th day preceding each 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 New 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 New Notes in the New 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 New 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 Tax Reasons*" and otherwise provided in the Indenture, the New Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company). In any case in which the date of the payment of principal of, premium or interest on the New Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the New Notes shall accrue for the period after such date.

The New 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 New Notes, but the Company, the Paying Agent or the Note Registrar 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 New Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be an office of the Paying Agent, currently located at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong), and the New Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made by check mailed at the expense of the Company to the address of the Holders as such address appears in the New Note register maintained by the Note Registrar. Interest payable on the New Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants on the Business Day following payment thereof.

### **The Subsidiary Guarantees and the JV Subsidiary Guarantees**

As of the date of the Indenture, all of the Company's Subsidiaries will be "**Restricted Subsidiaries**." However, under the circumstances described under "*— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries*," the Company will be permitted to designate certain of its Subsidiaries as "**Unrestricted Subsidiaries**". The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the New Notes.

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company's Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC (the "**PRC Non-Guarantor Subsidiaries**") and the Initial Other Non-Guarantor Subsidiaries (as defined below). The Subsidiary Guarantors are holding companies that do not have significant operations.

The initial Subsidiary Guarantors will be Hai Feng Holdings Limited (海豐控股有限公司), Hai Feng International Holdings Limited (海丰国际控股有限公司), He Tai Land and Properties Holdings Limited (合泰地產控股有限公司), Heng Fu Grand Development Limited (恆富兆業发展有限公司), Heng Fu Grand Holdings Limited (恒富兆業控股有限公司), Hui Jing Group (International) Company Limited (匯景集團(國際)有限公司), GREAT MISSION TRADING LIMITED, Hui Kam International Holdings Company Limited (滙錦國際控股有限公司) and Hui Kam Holdings Limited (滙錦控股有限公司).

The "**Initial Other Non-Guarantor Subsidiaries**" will be Hui Teng International Holdings Limited (滙騰國際控股有限公司), Hui Kong International Holdings Company Limited (滙康國際控股有限公司), Hui Shang International Holdings Limited (滙尚國際控股有限公司), Hui Shing International Holdings Limited (滙城國際控股有限公司), Hui Teng Holdings Limited, Hui Kong Holdings Company Limited, Hui Shang Holdings Limited, Hui Shing Holdings Limited, Hui Ai International Holdings Limited (滙愛國際控股有限公司), Hui Ling International Holdings Limited (滙領國際控股有限公司), Hui Lun International Holdings Limited (滙倫國際控股有限公司), Hui Qian International Holdings Limited (滙謙國際控股有限公司), Hui Yan International Holdings Limited (滙仁國際控股有限公司), Hui Ai Holdings Limited, Hui Ling Holdings Limited, Hui Lun Holdings Limited, Hui Qian Holdings Limited, Hui Yan Holdings Limited.

None of the existing or future Restricted Subsidiaries organized under the laws of the PRC, the Exempted Subsidiaries (as long as they remain Exempted Subsidiaries) or the Listed Subsidiaries (as long as they remain Listed Subsidiaries) will provide a Subsidiary Guarantee or JV Subsidiary Guarantee (as defined below) at any time in the future.

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary (x) in the case of a Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary, or (y) in the case of any other entity is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) to provide a JV Subsidiary Guarantee instead of a Subsidiary Guarantee, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of a JV Subsidiary Guarantee, no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (a) prohibiting the Company or any Restricted Subsidiary from providing a JV Subsidiary Guarantee or (b) requiring the Company or any Restricted Subsidiary to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
  - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the "**JV Subsidiary Guarantee**") and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than Exempted Subsidiaries and Listed Subsidiaries), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the New Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) an Officers' Certificate certifying a copy of the board resolution of such JV Subsidiary Guarantor to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the board of directors of such JV Subsidiary Guarantor; and

- (iii) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of December 31, 2021, the Company and its consolidated subsidiaries had total indebtedness of RMB4,512.2 million (US\$708.1 million), of which approximately RMB4,512.2million (US\$708.1 million) was secured..

As of December 31, 2021, the Non-Guarantor Subsidiaries had total indebtedness of approximately RMB4,512.2 million (US\$708.1 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB2,438.3 million (US\$382.6 million) and contingent liabilities of approximately RMB3,588.7 million (US\$563.1 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

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

- will be a general obligation of such JV Subsidiary Guarantor;
- will be limited to and enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee;
- will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and
- will be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries (as long as they remain Exempted Subsidiaries) or Listed Subsidiaries (as long as they remain Listed Subsidiaries)), as soon as practicable after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the New Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries

organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 15.0% of Total Assets as of the date such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary. Each such Restricted Subsidiary and its Restricted Subsidiaries organized outside the PRC that do not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee will be referred to as "**Other Non-Guarantor Subsidiaries**".

Each Restricted Subsidiary that guarantees the New Notes after the Original Issue Date other than a JV Subsidiary Guarantee is referred to as a "**Future Subsidiary Guarantor**" and upon execution of the applicable supplemental indenture to the Indenture will be a "**Subsidiary Guarantor**." The Other Non-Guarantor Subsidiaries, together with the PRC Non-Guarantor Subsidiaries, are referred to herein as the "**Non-Guarantor Subsidiaries**".

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the New Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will (1) agree that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the New Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), as the case may be. Moreover, if at any time any amount paid under a New Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee (if any) will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or a JV Subsidiary Guarantee (if any) were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee (if any), as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor (if any) under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "*Risk Factors — Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary*



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

#### **Release of the Subsidiary Guarantees and JV Subsidiary Guarantees**

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee (if any) given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the New Notes;
- upon a defeasance as described under "*— Defeasance — Defeasance and Discharge*";
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture; or
- upon the sale, disposition or merger of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under "*— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries*," "*— Certain Covenants — Limitation on Asset Sales*" and "*— Consolidation, Merger and Sale of Assets*") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, disposition or merger are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee in compliance with the terms of the Indenture; or
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor (if any) that becomes an Other Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC (other than existing Non-Guarantor Subsidiaries) will become Other Non-Guarantor Subsidiaries (such that they will no longer Guarantee the New Notes), without any requirement to seek the consent or approval of the Holders of the New Notes, *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors (if any) (including such Other Non-Guarantor Subsidiaries) do not account for more than 15.0% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor (if any) from its JV Subsidiary Guarantee, as the case may be, shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the Indenture.

## Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee following the sale or issuance by the Company or any Restricted Subsidiary of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee, (b) prohibiting the Company or such Restricted Subsidiary from providing such JV Subsidiary Guarantee or (c) requiring the Company or such Restricted Subsidiary to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the recipient of the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor (if any) to deliver to the Trustee:
  - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the New Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) an Officers' Certificate certifying a copy of a board resolution of such JV Subsidiary Guarantor to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the board of directors of such JV Subsidiary Guarantor; and
  - (iii) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including the covenants described under "*Certain Covenants — Limitation on Asset Sales*" and "*Certain Covenants — Limitation on Restricted Payments*."

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described under "*Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries*", the Company will be permitted to designate certain of its Subsidiaries as "**Unrestricted Subsidiaries**". The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the New Notes.

## **Further Issues**

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional New Notes having the same terms and conditions as the New Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees (if any)) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) so that such Additional New Notes may be consolidated and form a single class with the previously outstanding New Notes and vote together as one class on all matters with respect to the New Notes; *provided* that the issuance of any such Additional New Notes shall then be permitted by the covenant described under "*— Certain Covenants – Limitation on Indebtedness and Preferred Stock*"

## **Optional Redemption**

At any time prior to the Maturity Date, the Company may at its option redeem the New Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the New Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents will be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to the Maturity Date, the Company may redeem up to 35% of the aggregate principal amount of the New Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 112.50% of the principal amount of the New Notes, 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 New Notes 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**

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the New Notes are to be redeemed at any time, the New Notes for redemption will be selected as follows:

- (1) if the New Notes are listed on any national securities exchange and/or being held through the clearing systems (including, without limitation, Euroclear and Clearstream), in compliance with the requirements of the principal national securities exchange on which the New Notes are listed or the requirements of the clearing systems (including, without limitation, Euroclear and Clearstream), as applicable; or
- (2) if the New Notes are not listed on any national securities exchange and/or held through the clearing systems (including, without limitation, Euroclear and Clearstream), on a pro rata basis or by lot, unless otherwise required by law.

A New Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any New Note is to be redeemed in part only, the notice of redemption relating to such New Note will state the portion of the principal amount to be redeemed. With respect to any certificated New Note, a new New Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original New Note. On and after the redemption date, interest will cease to accrue on New Notes or portions of them called for redemption.

## **Repurchase of New Notes Upon a Change of Control**

Not later than 30 days following a Change of Control, the Company will make an Offer to Purchase all outstanding New 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.

The Company 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 Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the New 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 New Notes. In that case, the Company's failure to purchase tendered New Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control under the New Notes may also constitute an event of default under certain other debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing New Notes in the event of a Change of Control; (2) provide that a Change of Control is a default; or (3) require repurchase of such debt upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Company to purchase the New Notes could cause a default under other Indebtedness, even if the Change of Control itself does not, due to the financial effect of such purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Company's, the Subsidiary Guarantors' and if any, the JV Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the New Notes. See "*Risk Factors — Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees — We may not be able, or may not be required, to repurchase the New Notes upon a Change of Control and/or a Relevant Event*".

The phrase "all or substantially all", as used with respect to the assets of the Company 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 Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all New Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the New Notes in the event of a takeover, recapitalization or similar transaction.

None of the Trustee and the Agents shall be required to take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control 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 Company. 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 New Note is to be accepted for redemption nor will they 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 they will not be responsible to the Holders for any loss arising from any failure by it to do so.

#### **Repurchase of New Notes Upon a Relevant Event**

Not later than 30 days following a Relevant Event, the Company will make an Offer to Purchase all outstanding New Notes (a "**Relevant Event Offer**") at a purchase price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company 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 Relevant Event Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the New 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 Relevant Event Offer, it would continue to be prohibited from purchasing the New Notes. In that case, the Company's failure to purchase tendered New Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Relevant Event under the New Notes may also constitute an event of default under certain other debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing New Notes in the event of a Relevant Event; (2) provide that a Relevant Event is a default; or (3) require repurchase of such debt upon a Relevant Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the New Notes could cause a default under other Indebtedness, even if the Relevant Event itself does not, due to the financial effect of such purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Relevant Event may be limited by the Company's, the Subsidiary Guarantors' and if any, the JV Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the New Notes. See "*Risk Factors — Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees — We may not be able, or may not be required, to repurchase the New Notes upon a Change of Control and/or a Relevant Event*".

None of the Trustee and the Agents shall be required to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and 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 a Holder or the Company, as the case may be. 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 New Note is to be accepted for redemption nor will they 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 they will not be responsible to the Holders for any loss arising from any failure by it to do so.

#### **No Mandatory Redemption or Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the New Notes.

#### **Additional Amounts**

All payments of principal of, and premium (if any) and interest on the New Notes or under the Subsidiary Guarantees and JV Subsidiary Guarantees (if any) will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under "*— Consolidation, Merger and Sale of Assets*") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, the PRC (each, as applicable, a "**Relevant Jurisdiction**"), or any jurisdiction through which payments are made, 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 Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Holder of each New 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 New Note and the Relevant Jurisdiction or the jurisdiction through which payments are made, other than merely holding such New Note or the receipt of payments thereunder or under a Subsidiary

Guarantee or JV Subsidiary Guarantee (if any), including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

- (ii) the presentation of such New 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 New 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 New 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 Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder, to provide information concerning such Holder's or its beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction or the jurisdiction through which payments are made, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
  - (iv) the presentation of such New Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction or the jurisdiction through which payments are made, unless such New 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 or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the New Notes or from payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any);
  - (d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or
  - (e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction or the jurisdiction through which payments are made, 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 New Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent or 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.

### **Redemption for Taxation Reasons**

The New Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, 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 (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (or in the case of an official position, is announced) (i) with respect to the Company or any initial Subsidiary Guarantor on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor (if any) or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, a JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the New Notes or the Indenture, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, the Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, the Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the New Notes were then due.

Prior to the giving of any notice of redemption of the New Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor (if any), as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the redemption date:

- (1) an Officers' Certificate stating that such change, amendment or statement 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 Company, such Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, 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 Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall 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 New Notes that are redeemed 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 Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would not be less than 2.25 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following:
  - (a) Indebtedness under the New Notes (excluding any Additional New Notes) and each Subsidiary Guarantee and JV Subsidiary Guarantee (if any);
  - (b) any Pari Passu Guarantees;
  - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) below; *provided* that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;
  - (d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company 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 Company is the obligor on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the New Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor (if any) is the obligor on such Indebtedness and the Company is not the obligee, such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor (if any), as the case may be;
  - (e) Indebtedness of the Company or any Restricted Subsidiary ("**Permitted Refinancing Indebtedness**") issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, 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) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (p), (q), (r), (s), (u), (v), (w) or (x) 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 New Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the New Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee (if any) shall only be permitted under this clause (e) if (A) in case the New Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the New Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee (if any), 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 New Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the New Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee (if any), 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 New Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the New Notes or such Subsidiary Guarantee or such JV Subsidiary 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, (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;

- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company 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 Company or a Restricted Subsidiary in a Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such 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 Company or such Restricted Subsidiary in a Permitted Business; provided that, in the case of 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 asset, property or equipment 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 sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (p), (q), (r), (u), (v), (w) and (x) below (together with any refinancings thereof) does not exceed an amount equal to 27.5% of Total Assets;
- (i) Indebtedness Incurred by the Company 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 Company 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 Company 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 Company 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 shall at no time exceed the gross proceeds actually received by the Company or any Restricted Subsidiary from the disposition 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) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;
- (n) Indebtedness of the Company or any Restricted Subsidiary maturing within one year used by the Company or any Restricted Subsidiary for working capital; provided that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$25.0 million (or the Dollar Equivalent thereof);
- (o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of 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 Company or such Restricted Subsidiary enters into and becomes obligated to pay such deferred purchase price pursuant to such Staged Acquisition Agreement;
- (p) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; provided that, on the date of Incurrence of all such Indebtedness or issuance of such Preferred Stock and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock issued pursuant to this clause (p) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h) above and clauses (q), (r), (u), (v), (w) and (x) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 27.5% of Total Assets;
- (q) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clauses (h) and (p) above and clauses (r), (u), (v), (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 27.5% of Total Assets;
- (r) Indebtedness Incurred by any Restricted Subsidiary which is secured by Investment Properties; provided that, on the date of the Incurrence of all such Indebtedness and

after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (r) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clauses (h), (p) and (q) above and clauses (u), (v), (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred pursuant to clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 27.5% of Total Assets;

- (s) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$20.0 million (or the Dollar Equivalent thereof);
- (t) Indebtedness Incurred by the Company or a Restricted Subsidiary constituting a Subordinated Shareholder Loan;
- (u) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary; provided that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (u) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p) and (q) above and clauses (v), (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 27.5% of Total Assets;
- (v) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (A) 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 (B) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); provided that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (v) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q) and (u) above and clauses (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred pursuant to clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 27.5% of Total Assets;
- (w) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; provided that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (w) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (u) and (v) above and clause (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred pursuant to clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 27.5% of Total Assets; and
- (x) Indebtedness of the Company or any Restricted Subsidiary 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 Company or such Restricted Subsidiary enters into and becomes obligated to pay such deferred purchase price pursuant to such Minority Interest Staged Acquisition Agreement; provided that, on

the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (x) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (u), (v) and (w) above (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 27.5% of Total Assets.

- (3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness or Preferred Stock meets the criteria of more than one of the types of Indebtedness or Preferred Stock described above, including under the proviso in paragraph (1) above, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness or Preferred Stock as one or more of such types.
- (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued 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.

#### ***Limitation on Restricted Payments***

The Company 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 Company's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable or paid solely in shares of the Company's or any Restricted Subsidiary's Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company 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 Company 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 Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary except for the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement;
- (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 New Notes or any Subsidiary Guarantee or JV Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); 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 Company could not Incur at least US\$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant described under "*— Limitation on Indebtedness and Preferred Stock*";
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date and payments made by the Company and its Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been

Restricted Payments had they been made after the Original Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (8), (10) and (12(x)) of the immediately following paragraph), shall exceed the sum (without duplication) of:

- (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (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 July 1, 2021 and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus
- (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (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 Company; plus
- (iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company 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 Company 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 Company 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 amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus
- (v) US\$10.0 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 Company or any Subsidiary Guarantor or JV Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Restricted Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (5) the 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 Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, at least a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;
- (6) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); *provided* that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US\$2.0 million for any fiscal year (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);
- (7) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;
- (8) dividends or other distributions paid to, or the purchase of Capital Stock of any 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 or issued under clause (2)(p) of the covenant described under the caption "*Limitation on Indebtedness and Preferred Stock*";
- (9) 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 Company; *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 Company);

- (10) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, *provided* that (A) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (B) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;
- (11) the payment of any dividend or distribution payable or paid solely in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock; or
- (12) the declaration and payment of dividends on the Common Stock of the Company by the Company (x) in 2022 with respect to the fiscal year ended December 31, 2021 or, (y) with respect to any fiscal year ending after the Original Issue Date, in an aggregate amount not to exceed 20.0% of profit for year for any fiscal year ending after the Original Issue Date; or
- (13) the distribution or payments of Securitization Fees in connection with Receivable Financing permitted under the Indenture,

*provided* that, in the case of clause (2), (3) or (4) 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.

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 Company 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\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (13) above), the Company 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 Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
  - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
  - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
  - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
  - (d) sell, lease or transfer any of its property or assets to the Company 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 Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company 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.

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 New Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) or the Indenture or under any Pari Passu Guarantee or any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor Guaranteed by any Pari Passu Guarantee, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, 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, 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 Company 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, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, 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, 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, (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 Company 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 Company or any Restricted Subsidiary in any manner material to the Company 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 permitted under 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 Company to make required payment on the New Notes and, with respect to such Indebtedness any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, 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, refinanced, renewed or replaced;

- (g) existing in customary provisions in joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of the Company or 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 joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the New Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary 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 Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, 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, refinanced, renewed or replaced.

#### ***Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries***

The Company 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 Company 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 Company 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 Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made by the covenant described under " — *Limitation on Restricted Payments*" if made on the date of such issuance or sale and *provided* that the Company complies with the "— *Limitation on Asset Sales*" covenant; or
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "*Limitation on Asset Sales*" covenant.

#### ***Limitation on Issuances of Guarantees by Restricted Subsidiaries***

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor (if any), directly or indirectly, to Guarantee any Indebtedness ("**Guaranteed Indebtedness**") of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, unless (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor, if any) of payment of the New

Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee (if any), as the case may be, until the New Notes have been paid in full; or (2) such Guarantee is permitted by clauses (2)(c), (d) or (q) (in the case of (2)(q), with respect to the Guarantee provided by any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor (if any) through the pledge of cash deposits, bank accounts or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee), directly, or indirectly, any Bank Deposit Secured Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor) under "*Limitation on Indebtedness and Preferred Stock*".

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the New Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or JV Subsidiary Guarantee (if any), as the case may be, or (2) is subordinated in right of payment to the New Notes any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee (if any), as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the New Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee (if any).

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such Guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor Guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such Guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

#### ***Limitation on Transactions with Shareholders and Affiliates***

The Company 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 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "**Affiliate Transaction**"), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 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\$10.0 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 Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued or confirming that the terms of such Affiliate Transaction are no less favourable to the Company or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Company 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 fees and other reasonable and customary compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company 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), (2) or (3) of the first paragraph of the covenant described under "*— Limitation on Restricted Payments*" if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of the Stock Exchange, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any of its Restricted Subsidiaries with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto; and
- (7) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (6) or (7) (to the extent such Restricted Payment would constitute Affiliate Transaction) of the second paragraph of the covenant entitled "*—Limitation on Restricted Payments.*"

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "*Limitation on Restricted Payments*" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among the Company, 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 between or among the Company or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand and (iv) any Affiliate Transaction that is conducted in accordance with the relevant rules and regulations of the Stock Exchange, for as long as the Capital Stock of the Company remains listed on the Stock Exchange; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or other partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary).

#### ***Limitation on Liens***

The Company will not, and will not permit any Restricted Subsidiary 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 New Notes are secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the New Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the New Notes (as contemplated under the preceding paragraph) with regards to Indebtedness proposed to be or previously Incurred by the Company or any Subsidiary Guarantor in compliance with the terms of the Indenture, the Company may

instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Indebtedness and (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

#### ***Limitation on Sale and Leaseback Transactions***

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or such Restricted Subsidiary, as the case may be, could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described under "*— Limitation on Indebtedness and Preferred Stock*" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described under "*— 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 such 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 such Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, the covenant described under "*— Limitation on Asset Sales*".

#### ***Limitation on Asset Sales***

The Company 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 Company 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; and
- (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 Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company 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 Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the New Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
  - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company 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 Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce permanently commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire Replacement Assets.

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\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase New 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 New Notes and (y) the denominator of which is equal to the outstanding principal amount of the New 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.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to (but not including) the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of New Notes (and any other *pari passu* Indebtedness) tendered into (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the New Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis based on the principal amount of New Notes and such other *pari passu* Indebtedness tendered (or required to be prepaid or redeemed). Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

#### ***Limitation on the Company's Business Activities***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however*, that the Company 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 a Permitted Business as long as any Investment therein was not prohibited when made by the covenant under the caption "*— Limitation on Restricted Payments.*"

#### ***Use of Proceeds***

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the New Notes issued on the Original Issue Date, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under "*Use of Proceeds*" in this Exchange Offer Memorandum (or in the case of Additional New Notes, the offering document relating to the sale of such Additional New Notes) 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 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 Company nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified Stock or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified Stock or Preferred Stock or Indebtedness could not be Incurred under the covenant described under "*— Limitation on Indebtedness and Preferred Stock*" or such Lien would violate the covenant described under "*— Limitation on Liens*"; (4) 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 (5) 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*."

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 "*— 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 "*— Limitation on Liens*"; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not organized under the laws of the PRC and is not an Other Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor in accordance with the terms under the Indenture.

### ***Government Approvals and Licenses; Compliance with Law***

The Company 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 would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the New Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee (if any) or the Indenture.

### ***Anti-Layering***

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the New Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee (if any), 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.

### ***Provision of Financial Statements and Reports***

- (1) So long as any of the New Notes remain outstanding, the Company 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 10 calendar days after they are filed with the Stock Exchange or any other

recognized exchange on which the Company's ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

- (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and audited by a member firm of an internationally-recognized firm of independent accountants;
  - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second fiscal quarter of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and reviewed by a member firm of an internationally-recognized firm of independent accountants; 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 fiscal quarters of the Company, copies of its unaudited financial statements (on a consolidated basis and in the English language), including a statement of income, balance sheet and cash flow statement prepared in accordance with GAAP, and prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the New Notes remain outstanding, the Company will provide to the Trustee (a) within 90 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 four most recent fiscal quarter periods 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 Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided* that the Company shall not be required to provide such auditor certificate if its external auditors refuse to provide such certificate as a result of a policy of such external auditors not to provide such certificate; and (b) as soon as reasonably practicable and in any event within 14 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default or an Event of Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

### **Events of Default**

The following events will be defined as "**Events of Default**" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the New Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any New Note when the same becomes due and payable, and such default continues for a period of 14 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets," or the failure by the Company to make or consummate an Offer to Purchase in the manner described under "— *Repurchase of New Notes upon a Change of Control*", "— *Repurchase of New Notes upon a Relevant Event*" or "— *Certain Covenants — Limitation on Asset Sales*";

- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the New Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 14 consecutive days after written notice by the Holders of 25% or more in aggregate principal amount of the New Notes or by the Trustee at the direction of such Holders;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$7.5 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, *provided*, however, that such Indebtedness shall not include (x) the Indebtedness represented by the 12.50% senior notes due 2022 issued by the Company pursuant to the indenture dated as of July 22, 2021, as amended or supplemented from time to time (the “**July 2021 Notes**”) and (y) any Indebtedness (other than that represented by the July 2021 Notes) with respect to which any default or event of default occurs as a result of any default or event or default under the July 2021 Notes;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, 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\$7.5 million (or the Dollar Equivalent thereof), in excess of amounts which the Company's insurance carriers have unconditionally 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 Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a 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 Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a 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 Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a 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) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) or (c) effects any general assignment for the benefit of creditors; or
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee (if any) or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee (if any) 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 New Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders (subject to being indemnified and/or secured and/or prefunded to its satisfaction) shall, declare the principal of, premium, if any, and accrued and unpaid interest on the New 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 Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the New 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 New Notes by written notice to the Company and to the Trustee may, on behalf of the Holders of the New 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 non-payment of the principal of, premium, if any, and interest on the New 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 New 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, premium, if any, and interest on the New Notes or to enforce the performance of any provision of the New Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the New 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 New 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 regulations or the Indenture, or 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 reasonably believe that reimbursement or satisfactory indemnification and/or security and/or prefunding is assured to it.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the New Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the New 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 New Notes make a written direction 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 written such request;

- (4) the Trustee does not comply with the request within 60 days after receipt of the written 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 New 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 New Note or any payment under the Subsidiary Guarantee or JV Subsidiary Guarantee (if any), or to bring suit for the enforcement of any such payment, on or after the due date expressed in the New Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 90 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 Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company and its Restricted Subsidiaries 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 Company 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 "*Certain Covenants — Provision of Financial Statements and Reports*".

The Trustee and the Agents need not do anything to ascertain whether any Event of 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, the Trustee or the Agents may assume that no such event has occurred and that the Company is performing all its obligations under the Indenture and the New Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Company is not performing all of its obligations under the Indenture and the New Notes. The Trustee is entitled, but not obligated, to rely on any Opinion of Counsel or Officers' Certificate regarding whether an Event of Default has occurred.

#### **Consolidation, Merger and Sale of Assets**

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person, unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "**Surviving Person**") shall be a corporation organized and validly existing under the laws of the Cayman Islands, the British Virgin 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 Company under the Indenture and the New Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the New Notes, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under paragraph (1) of the covenant described under "*Certain Covenants — Limitation on Indebtedness and Preferred Stock*";

- (5) the Company 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; and
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor (if any), unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under "*— Consolidation, Merger and Sale of Assets*", shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee (if any), as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the New Notes and the Indenture.

No Subsidiary Guarantor or JV Subsidiary Guarantor (if any) will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor (if any), other than another JV Subsidiary Guarantor, the Company or another Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor (if any), another JV Subsidiary Guarantor (if any), the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) under the Indenture and the New Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the New Notes, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under paragraph (1) of the covenant under "*— Certain Covenants — Limitation on Indebtedness and Preferred Stock*"; and
- (5) the Company 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,

*provided* that this paragraph shall not apply to any sale or other disposition that complies with the "*Limitation on Asset Sales*" covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) whose Subsidiary Guarantee or JV Subsidiary Guarantee (if any), as the case may be, is unconditionally released in accordance with the provisions described under "*— The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees.*"

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger. The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

### **No Payments for Consents**

The Company 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 New 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 or the New Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the New Notes that are not institutional "accredited investors" as defined in Rule 501 under the Securities Act, and (ii) Holders or beneficial owners of the New Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such 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 Company in its sole discretion.

### **Defeasance**

#### ***Defeasance and Discharge***

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the New 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 New Notes (except for, among other matters, certain obligations to register the transfer or exchange of the New Notes, to replace stolen, lost or mutilated New Notes, to maintain paying agents, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations 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 New Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the New Notes and (b) has delivered 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 Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the New Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee (a) either (x) an Opinion of Counsel of recognized international standing with respect to U.S. federal tax laws which is based on a change in applicable U.S. federal income tax law occurring after the Original Issue Date to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Company's exercise of its option under this "Defeasance and Discharge" provision and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred or (y) a ruling directed to the Trustee received from the U.S. Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel, and (b) an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust

fund 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 Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) will terminate.

#### ***Defeasance of Certain Covenants***

The Indenture further will provide that the provisions of the Indenture applicable to the New Notes will no longer be in effect with respect to clauses (3), (4) and (5)(x) under the first paragraph, and clauses (3), (4) and (5)(x) 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*," clause (3) under "*Events of Default*" with respect to clauses (3), (4) and (5)(x) under the first paragraph, and clauses (3), (4) and (5)(x) under the second paragraph under "*— Consolidation, Merger and Sale of Assets*" and with respect to the other events set forth in such clause, 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 with the Trustee (or its agent), in trust, 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 New Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the New Notes, the satisfaction of the provisions described in clause (2)(b) of the paragraph under "*— Defeasance and Discharge*" and the delivery by the Company to the Trustee of an Opinion of Counsel of recognized international standing with respect to U.S. federal income tax matters to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

#### ***Defeasance and Certain Other Events of Default***

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the New 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 New Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the New Notes at the time of the acceleration resulting from such Event of Default. However, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will remain liable for such payments.

#### **Amendments and Waiver**

##### ***Amendments Without Consent of Holders***

The Indenture or the New Notes may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the New Notes; *provided* that such actions pursuant to this clause (1) do not materially and adversely affect the interests of the Holders;
- (2) comply with the provisions described under "*— Consolidation, Merger and Sale of Assets*";
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;

- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional New Notes in accordance with the limitations set forth in the Indenture;
- (6) provide collateral, add additional collateral to secure the New Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee or enter into any intercreditor agreement in accordance with the Indenture;
- (7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;
- (9) make any other change that does not materially and adversely affect the rights of any Holder; or
- (10) conform the text of the Indenture, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) to any provision of this "Description of the New Notes" to the extent that such provision in this "Description of the New Notes" was intended to be a verbatim recitation of a provision in the Indenture, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).

#### ***Amendments With Consent of Holders***

Amendments of the Indenture may be made by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding New Notes, and the Holders of a majority in principal amount of the outstanding New Notes may waive future compliance by the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors with any provision of the Indenture or the New Notes; *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 premium, if any, or any installment of interest on, any New Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any New Note;
- (3) change the currency of payment of principal of, or premium, if any, or interest on, any New 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 New Note;
- (5) reduce the above-stated percentage of outstanding New 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 New Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee (if any), as the case may be, except as provided in the Indenture;
- (8) reduce the percentage or aggregate principal amount of outstanding New Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

- (9) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee (if any) in a manner that adversely affects the Holders;
- (10) reduce the amount payable upon a Change of Control Offer, a Relevant Event 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 Relevant Event Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the New Notes must be repurchased pursuant to a Change of Control Offer, a Relevant Event Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (11) change the redemption date or the redemption price of the New Notes from that stated under "*— Optional Redemption*" or "*— Redemption for Taxation Reasons*;"
- (12) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the New Notes or any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner which adversely affects the Holders.

### **Unclaimed Money**

Claims against the Company for the payment of principal of, premium, if any, or interest, on the New 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 New 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 Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor in the Indenture, or in any of the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor, or of any successor Person thereof. Each Holder, by accepting the New Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). Such waiver may not be effective to waive liabilities under the federal securities laws.

### **Concerning the Trustee and the Agents**

China Construction Bank (Asia) Corporation Limited is to be appointed as Trustee under the Indenture, as note registrar (the "**Note Registrar**") and as paying and transfer agent (the "**Paying Agent**") and, together with the Note Registrar, the "**Agents**") with regard to the New 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 and the New Notes. 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 New Notes as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. 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 security and/or indemnity and/or prefunding satisfactory to it against loss, liability or expense.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, or JV Subsidiary Guarantors (if any), to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

## **Book-Entry; Delivery and Form**

The New Notes will be represented by one or more global notes in registered form without interest coupons attached (each a "**Global Note**"). On the Original Issue Date, the initial Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

### **Global Note**

Ownership of beneficial interests in the Global Note ("**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 New 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 New Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of New 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 New Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The New Notes are not issuable in bearer form.

### **Payments on the Global Note**

Payments of any amounts owing in respect of the Global Note (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 depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company 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 Company and the Trustee will treat the registered holder of the Global Note (i.e., the common depository or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- 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 Note**

In the event any Global Note, or any portion thereof, is redeemed, the common depository 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 depository, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the New 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 New 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 New 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 New Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note 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 New 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 Note 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 Note 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 Company 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 New 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 Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

### **Individual Definitive Notes**

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed by the Company 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 New Notes has become immediately due and payable in accordance with "*Events of Default*" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depository or a Holder, as the case may be, the Company will use its best efforts to make arrangements with the common depository 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 or on behalf of 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 Company 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 New 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 or by email, (if intended for the Company or any Subsidiary Guarantor) addressed to the Company at the principal office of the Company or such other address as the Company may advise the Trustee in writing from time to time or emailed to the email addresses at [andrewyeung@huijingholdings.com](mailto:andrewyeung@huijingholdings.com) / [wilfredlo@huijingholdings.com](mailto:wilfredlo@huijingholdings.com) or such other email addresses as the Company or any Subsidiary Guarantor may advise the Trustee in writing from time to time; or (if intended for the Trustee) at the corporate trust office of the Trustee or by email to the email address at [cta\\_cs@asia.ccb.com](mailto:cta_cs@asia.ccb.com) / [rita.pc.sit@asia.ccb.com](mailto:rita.pc.sit@asia.ccb.com) / [Vincent.YH.Chan@asia.ccb.com](mailto:Vincent.YH.Chan@asia.ccb.com) / [Polly.YS.chan@asia.ccb.com](mailto:Polly.YS.chan@asia.ccb.com); 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, or if by email, when so sent, provided that no delivery failure notification is received by the sender within two hours of sending the email. However, notwithstanding the foregoing, any notice to the Trustee will be effective only upon receipt, provided that any notice sent by email shall be deemed as received if no delivery failure notification is received by the sender within 24 hours of sending the email.

### **Consent to Jurisdiction; Service of Process**

The Company and each of the Subsidiary Guarantors and each of the JV Subsidiary Guarantors (if any) will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the New Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

### **Governing Law**

Each of the New Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Indenture 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 New 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 the Maturity Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

**"Affiliate"** means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step child, parent or step parent, brother, sister, step brother or step sister, parent in law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of these definitions, "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 New Note at any redemption date, the greater of (1) 1.00% of the principal amount of such New Note and (2) the excess of (A) the present value at such redemption date of the principal amount of such New Notes, plus all required remaining scheduled interest payments due on such New Note through the Maturity Date (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 New Note on such redemption date.

**"Asset Acquisition"** means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

**"Asset Disposition"** means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company 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 Company or any Restricted Subsidiary.

**"Asset Sale"** means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided* that "Asset Sale" shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "*Limitation on Restricted Payments*" covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 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 Company 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 "*Consolidation, Merger and Sale of Assets*" covenant; and
- (7) any sale, transfer or other disposition by the Company or any Restricted Subsidiary, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

**"Attributable Indebtedness"** means, in respect of a Sale and Leaseback Transaction, at the time of determinations, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

**"Average Life"** means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

**"Bank Deposit Secured Indebtedness"** means Indebtedness of the Company or any Restricted Subsidiary that is secured by cash deposits, bank accounts or other assets of the Company or a Restricted Subsidiary and/or guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange foreign currencies or remit money onshore or offshore.

**"Board of Directors"** means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company 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 New Notes are to be made) are authorized by law or governmental regulation to close.

**"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 into such equity.

**"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.

**"Change of Control"** means the occurrence of one or more of the following events:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;
- (2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;
- (3) the Permitted Holders are the beneficial owners of less than 65.0% of the total voting power of the Voting Stock of the Company;
- (4) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (5) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least a majority 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 Company then in office; or
- (6) the adoption of a plan relating to the liquidation or dissolution of the Company.

**"Clearstream"** means Clearstream Banking, S.A.

**"Commodity Agreement"** means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to 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 on the Original Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares.

**"Comparable Treasury Issue"** means the U.S. Treasury security having a maturity comparable to the Maturity Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Maturity Date.

**"Comparable Treasury Price"** means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is received by the Trustee) Reference Treasury Dealer Quotations for such redemption date.

**"Consolidated Assets"** means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of such 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 Company and its Restricted Subsidiaries (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include 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 accrual of revenue in the ordinary course of business and gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company 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 Company or any Restricted Subsidiary 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 Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company 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 Company 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 Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (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 Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), only to the extent that such interest is actually paid by the Company or any Restricted Subsidiary and (7) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

**"Consolidated Net Income"** means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
  - (a) subject to the exclusion contained in clause (5) below, the Company'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 Company 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 Company'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 Company 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 Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;
- (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 Company 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 Company realized on sales of Capital Stock of the Company 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 Company 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 Company 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 fiscal quarter, semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, 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 Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

**"Contractor Guarantees"** means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company 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 Company 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 (provided that such increase is permitted under the covenant described under "*Certain Covenants – Limitation on Indebtedness and Preferred Stock*") 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 reduce or manage exposure to 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 New 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 New 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 New 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 New 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 New Notes upon a Change of Control*" 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 Company's repurchase of such New Notes as are required to be repurchased pursuant to the "*Limitation on Asset Sales*" and "*Repurchase of New Notes upon a Change of Control*" 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 that would be 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 Non-Guarantor Subsidiary from the Company or another Non-Guarantor Subsidiary (whether directly or through or facilitated by a bank or other financial institution), *provided* that such borrowings are not reflected on the consolidated balance sheet of the Company.

**"Equity Offering"** means (i) any *bona fide* underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any *bona fide* underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placement price, in each case under clause (i) or (ii) *provided* such public offering or private placement is to a person other than a Restricted Subsidiary or Permitted Holder; *provided* that any offering or placement 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 Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

**"Euroclear"** means Euroclear Bank S.A./N.V.

**"Exchange Act"** means the U.S. Securities Exchange Act of 1934, as amended.

**"Exempted Subsidiary"** means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to, or to procure such Restricted Subsidiary or otherwise to, as applicable, obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or JV Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company, such Restricted Subsidiary or otherwise having obtained such applicable approval or registration.

**"Fair Market Value"** means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

**"Fitch"** means Fitch Ratings Ltd. 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 quarters prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include

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 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 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 Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness 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 Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company 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 paragraph 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 quarters 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 Hong Kong Financial Reporting Standards, as in effect from time to time.

"**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 Agreement, Currency Agreement or Interest Rate Agreement.

**"Holder"** means each Person in whose name a New Note is registered in the New Note register.

**"Hong Kong"** means the Hong Kong Special Administrative Region of the People's Republic of China;

**"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 shall not be considered an Incurrence of Indebtedness. The terms **"Incurrence"** and **"Incurred"** 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 (1) capital commitments, pre-sale receipts in advance from customers, deferred payment obligations 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 (2) Entrusted Loans; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided* that

- (1) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the

original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

- (2) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and
- (3) the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to 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 were terminated at that time if not Incurred pursuant to such paragraph.

**"Independent Third Party"** means any Person that is not an Affiliate of the Company.

**"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 reduce or manage exposure to fluctuations in interest rates.

**"Investment"** means, with respect to any Person:

- (1) any direct or indirect advance, loan or other extension of credit by such Person to another Person;
- (2) any capital contribution by such Person to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities by such Person issued by another Person; or
- (4) any Guarantee of any obligation by such Person 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 Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company's proportional interest in the Fair Market Value of the assets (net of the Company's proportional interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) 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 Property"** means any property that is owned and held by any Restricted Subsidiary for long-term rental yield or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

**"JV Entitlement Amount"** means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

**"JV Subsidiary Guarantee"** has the meaning set forth under "*— The Subsidiary Guarantees and the JV Subsidiary Guarantees*".

**"JV Subsidiary Guarantor"** means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

**"Lien"** means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

**"Listed Subsidiaries"** means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; *provided* that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

**"Measurement Date"** means July 22, 2021.

**"Minority Interest Staged Acquisition Agreement"** means an agreement between the Company and/or any Restricted Subsidiary on the one hand and an Independent Third Party on the other (x) pursuant to which the Company and/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 at the time the Company and/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.

**"Minority Joint Venture"** means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture's Subsidiaries.

**"Moody's"** means Moody's Investors Service, Inc. and its successors.

**"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 banks) 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 Company 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; and
  - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock or securities convertible or exchangeable into Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

**"Offer to Purchase"** means an offer to purchase the New Notes by the Company from the Holders commenced by 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 New Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all New Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the **"Offer to Purchase Payment Date"**);
- (3) that any New Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any New 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 New Note purchased pursuant to the Offer to Purchase will be required to surrender the New Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the New Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of New Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such New Notes purchased; and
- (7) that Holders whose New Notes are being purchased only in part will be issued new New Notes equal in principal amount to the unpurchased portion of the New Notes surrendered; *provided* that each New Note purchased and each new New Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On the Business Day immediately prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent sufficient money to pay the purchase price of all New Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis New Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Paying Agent all New Notes or portions thereof so accepted together with an Officers' Certificate specifying the New Notes or portions thereof accepted for payment by the Company. The Paying Agent shall as soon as reasonably practicable make payment by wire transfer to the Holders of New Notes so accepted payment in an amount equal to the purchase price, and the Note Registrar or an authenticating agent shall as soon as reasonably practicable authenticate and mail to such Holders a new New Note equal in principal amount to any unpurchased portion of the New Note surrendered; *provided* that each New Note purchased and each new New Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with all applicable securities laws and regulations, in the event that the Company is required to repurchase New Notes pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company 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 Company 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 New Notes pursuant to the Offer to Purchase.

**"Officer"** means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor (if any), one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

**"Officers' Certificate"** means a certificate signed by two Officers; *provided, however*, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor or any JV Subsidiary Guarantor, as the case may be, under the Indenture, **"Officers' Certificate"** means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, at the time such certificate is required to be delivered.

**"Opinion of Counsel"** means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

**"Original Issue Date"** means the date on which the New Notes are originally issued under the Indenture.

**"Pari Passu Guarantee"** means a Guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional New Notes), any Subsidiary Guarantor or any JV Subsidiary Guarantor; *provided* that (1) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under "*Certain Covenants — Limitation on Indebtedness and Preferred Stock*" and (2) such Guarantee ranks *pari passu* with the New Notes, any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

**"Permitted Business"** means any business which is the same or related, ancillary or complementary to any of the business of the Company and its Restricted Subsidiaries on the Original Issue Date.

**"Permitted Holders"** means any or all of the following:

- (1) Mr Lun Ruixiang and Ms Chan Hau Wan;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1);
- (3) the estate, trust and any immediate family member of the Persons listed in clause (1) or the legal representative of any of the foregoing; and
- (4) 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 Persons specified in clauses (1), (2) and (3).

**"Permitted Investment"** means:

- (1) any Investment in the Company 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 be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) 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 designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;

- (7) receivables owing to the Company 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 Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant described under "*Certain Covenants — Limitation on Asset Sales*";
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*Certain Covenants — Limitation on Liens*";
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company 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) 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 Company's consolidated balance sheet;
- (13) 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;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any Restricted Subsidiary and prepayments made in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary, in each case in the ordinary course of business;
- (16) advances in the ordinary course of business to government authorities or government-affiliated entities in the PRC for the purpose of the development and preparation by such government authority or government affiliated entity of primary land for auction purposes which advances are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet to the extent each such advance is on normal commercial terms including being subject to repayment from the relevant government authority;
- (17) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;
- (18) repurchases of the New Notes;
- (19) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary), *provided* that:
  - (i) such Investment, together with the aggregate of all other Investments made under this clause (19) since the Original Issue Date, and all Investment made by the Company and its Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been the Investments under this clause (19) had they been made after the Original Issue Date, shall not exceed in aggregate an amount equal to 20.0% of Total Assets. Such aggregate amount of Investments shall be



calculated after deducting an amount equal to the net reduction in all Investments made under this clause (19) since the Measurement Date resulting from:

- (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Company 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 a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date under this clause of an obligation of any such Person,
  - (C) to the extent that an Investment made after the Measurement Date under this clause 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 Company or a Restricted Subsidiary after the Measurement Date in any such Person under this clause, or
  - (D) such Person becoming a Restricted Subsidiary (whereupon all Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of this "Permitted Investment" definition);
- (ii) the Person into which such Investment is made is primarily engaged in the Permitted Business;
  - (iii) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) in such Person in which such Investment was made is a Person described in clause (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 Company or a Restricted Subsidiary or by reason of being a Restricted Subsidiary, a Minority Joint Venture or Unrestricted Subsidiary); and
  - (iv) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be valued at the time such Investment is made; and

- (20) Guarantees permitted by the covenant described under the caption entitled "*—Limitation on Indebtedness and Preferred Stock*".

**"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 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 Company 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 Company 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 Company 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 Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (2)(f) of the covenant described under "*Certain Covenants — Limitation on Indebtedness and Preferred Stock*";
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under "*Certain Covenants — Limitation on Indebtedness and Preferred Stock*"; *provided* that such Liens do not extend to or cover any property or assets of the Company 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 Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (2)(g) of the covenant described under "*Certain Covenants — 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 Company or any Restricted Subsidiary;
- (16) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under "*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 of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include 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 Company or any Restricted Subsidiary;
- (18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (19) Liens on deposits made in order to secure the performance of the Company or any Restricted Subsidiary in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens incurred or deposits made to secure Entrusted Loans;
- (21) Liens securing Indebtedness permitted to be Incurred under clause (2)(n) of the covenant described under "*Certain Covenants — Limitation on Indebtedness and Preferred Stock*".
- (22) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement securing Indebtedness which is permitted to be Incurred under clause (2)(o) or (2)(x) of the covenant described under "*Certain Covenants — Limitation on Indebtedness and Preferred Stock*";
- (23) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any other Restricted Subsidiary in favor of any Trust Company Investor (including the sale or transfer of such Capital Stock to such Trust Company Investor) in respect of, and to secure, the Indebtedness permitted to be Incurred under clause (2)(p) of the covenant described under "*Certain Covenants — Limitation on Indebtedness and Preferred Stock*";
- (24) Liens on cash deposits, bank accounts or other assets 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*";
- (25) Liens on Investment Properties securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause (2)(r) of the covenant described under "*Certain Covenants — Limitation on Indebtedness and Preferred Stock*";
- (26) Liens securing Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors or JV Subsidiary Guarantors (if any)) Incurred pursuant to clause (2)(s) of the covenant described under "*Certain Covenants — Limitation on Indebtedness and Preferred Stock*";
- (27) Liens securing Indebtedness Incurred under clause (2)(u), (2)(v) or (2)(w) of the covenant described under "*Certain Covenants—Limitation on Indebtedness and Preferred Stock*"; and
- (28) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the covenant described under "*Certain Covenants—Limitation on Indebtedness and Preferred Stock*".

**"Permitted Subsidiary Indebtedness"** means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, 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 (excluding Public Indebtedness and any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses 2(a), (b), (d), (f) and (g) of the covenant described under "*Certain Covenants — Limitation on Indebtedness and Preferred Stock*") does not exceed an amount equal to 15.0% of Total Assets.

**"Person"** means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

**"PRC"** means the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan.

**"PRC CJV"** means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on November 4, 2017) 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 (as most recently amended on November 17, 2017), both of which were replaced by the Foreign Investment Law of the PRC (the "**Foreign Investment Law**"). The Foreign Investment Law was formally passed by the National People's Congress on March 15, 2019 and took effect as of January 1, 2020. Pursuant to the Foreign Investment Law, all foreign invested enterprises will be required to follow the corporate governance rules under the PRC Company Law once the Foreign Investment Law comes into effect. However, for foreign invested enterprises formed prior to the adoption of the Foreign Investment Law, including PRC CJVs, the Foreign Investment Law allows for a five-year transition period to bring the corporate governance of such foreign invested enterprises in line with the PRC Company Law.

**"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 Company or any Restricted Subsidiary.

**"Preferred Stock"** as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its terms 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.

**"Pre-Registration Mortgage Guarantee"** means any Indebtedness of the Company or any Restricted Subsidiary consisting of 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 Company or any Restricted Subsidiary; *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.

**"Public Indebtedness"** means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the New Notes) to institutional investors.

**"Qualified Exchange"** means either (1) The New York Stock Exchange, the London Stock Exchange plc, the Stock Exchange, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, The Shanghai Stock Exchange or The Shenzhen Stock Exchange or (2) 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).

**"Receivable Financing"** means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any receivables, mortgages, royalties, other revenue streams, assets 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 Company 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.

**"Relevant Event"** means the occurrence of one or more of the following events:

- (1) the Company's Common Stock (as a class) cease to be listed or admitted to trading on the Stock Exchange; or
- (2) there is a suspension of the trading of the Company's Common Stock on the Stock Exchange ordered by the Stock Exchange or the Securities and Futures Commission of Hong Kong, which persists for more than 15 consecutive trading days on which the Stock Exchange is open for dealing business.

**"Replacement Assets"** means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business (including any Capital Stock in a Person holding such property or assets that is primarily engaged in a Permitted Business).

**"Restricted Subsidiary"** means any Subsidiary of the Company other than an Unrestricted Subsidiary.

**"S&P"** means S&P Global Ratings, and its successors.

**"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 Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

**"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 Assets or participation in interests 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.

**"Senior Indebtedness"** of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company 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 Company, the New Notes or, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee or, (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee (if any); *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

**"Significant Restricted Subsidiary"** means a Restricted Subsidiary that would 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 Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company 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 Company 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 installment over a period of time.

**"Stated Maturity"** means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal, and premium, if any, of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of, and premium, if any, or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

**"Stock Exchange"** means The Stock Exchange of Hong Kong Limited.

**"Subordinated Indebtedness"** means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the New Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

**"Subordinated Shareholder Loan"** means any unsecured Indebtedness for borrowed money Incurred by the Company or any Restricted Subsidiary from but only so long as such Indebtedness is owed to any Permitted Holder which (i) is expressly made subordinate to the prior payment in full of the New Notes, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued, created or remains outstanding, with respect to the payment of principal and any other payment obligations in respect of such Indebtedness, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, redeemed, repurchased or otherwise retired, pursuant to a sinking fund obligation, event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the New Notes and (iii) by its terms, does not provide for any cash payment of interest (or premium, if any).

**"Subsidiary"** means, with respect to any Person, any corporation, association or other business entity (i) 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 (ii) 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 (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such corporation, association or other business entity equal to the Fair Market Value of the Capital Stock of such corporation, association or other business entity held by such Person immediately after the occurrence of such event, which shall be made in compliance with the "*— Limitation on Restricted Payments*" covenant.

**"Subsidiary Guarantee"** means any Guarantee of the obligations of the Company under the Indenture and the New Notes by any Subsidiary Guarantor.

**"Subsidiary Guarantor"** means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the New Notes pursuant to the Indenture and the New Notes; *provided* that "Subsidiary Guarantor" will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the New Notes or (b) any JV Subsidiary Guarantor.

**"Temporary Cash Investment"** means any of the following:

- (1) direct obligations of the United States of America, the United Kingdom, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, the United Kingdom, any state of the European Economic Area,

the People's Republic of China, 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, the United Kingdom or any state of the European Economic Area, shall be rated at least "A" by S&P, Moody's or Fitch;

- (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, the United Kingdom, 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\$100.0 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 Section 3(a)(62) of the Exchange 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 Company) 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, 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) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with, any bank, trust company or other financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations; and
- (8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations 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 Company 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 Company (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may include internal consolidated financial statements); *provided* that only with respect to clause (2)(h) of "*Certain Covenants – Limitation on Indebtedness and Preferred Stock*" 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 Company or any Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness.

**"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 or an insurance company, or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

"**Unrestricted Subsidiary**" means (1) any Subsidiary of the Company 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 New 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 non-PRC 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 Cayman Islands, British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of New Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Exchange Offer 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 New 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 New Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of New Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

### CAYMAN ISLANDS

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the New Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal or premium on the New Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the New Notes, as the case may be, nor will gains derived from the disposal of the New Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but is otherwise not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the New Notes. An instrument of transfer in respect of a New Note would be subject to nominal Cayman Islands stamp duty if executed in or brought into the Cayman Islands.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Act. In accordance with the Tax Concessions Act, the Governor in Cabinet undertakes with the Company:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of the Company, or by way of the withholding, in whole or part, of any relevant payment as defined in the Tax Concessions Act.

These concessions shall be for a period of 20 years from January 16, 2019.

### BRITISH VIRGIN ISLANDS

There is no income or other tax of the British Virgin Islands imposed by a withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

### HONG KONG

*Withholding Tax.* No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the New Notes) or interest in respect of the New Notes.

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

Interest on the New 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 New 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 New 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 New 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 New 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 New 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 New Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of New 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 New 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.

*Stamp Duty.* No Hong Kong stamp duty will be chargeable upon the issue or transfer of a New Note (for so long as the register of holders of the New Notes is maintained outside Hong Kong).

## **PRC TAXATION**

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of New Notes is based upon applicable laws, rules and regulations in effect as of the date of this Exchange Offer 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 New 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 New Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of New Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

*Taxation on Interest and Capital Gains.* PRC income tax at the rate of 10% (or lower treaty rate, if any) is withheld from interest payable to investors that are "non-resident enterprises" and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, to the extent such interest is derived from sources within the PRC. Any gain realized on the transfer of the New Notes by such investors is subject to a 10% (or lower treaty rate, if any) PRC income tax if such gain is regarded as income of a "non-resident enterprise" derived from sources within the PRC. As advised by King & Wood Mallesons, PRC legal counsel to the Sole Dealer Advisor, there is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. If we are considered a PRC resident enterprise, interest and capital gains realized by non-resident holders of the New Notes may be treated as income derived from sources within the PRC and may be subject to PRC tax (which in the

case of interest may be withheld at source) at the rate of 10% where the holder is an enterprise pursuant to the EIT Law, or at the rate of 20% where the holder is an individual pursuant to PRC individual income tax laws. See "*Risk Factors — Risks Relating to Our Business and Industry — We may be deemed as a PRC resident under the EIT Law and be subject to PRC taxation on our worldwide income*" and "*— Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees — Interest payable by us to our foreign investors and gain on sale of our New Notes may be subject to withholding taxes under PRC tax laws.*"

*Stamp duty.* No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the New Notes is maintained outside the PRC) of a New Note.

## NOTICE TO INVESTORS

*Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the New Notes.*

The New Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S) or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) or within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

By your exchange of the Old Notes for the New Notes, including the Subsidiary Guarantees and JV Subsidiary Guarantees (if any), pursuant to the Exchange Offer, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us:

- You understand and acknowledge that:
  - the New Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees (if any) have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws and the New Notes may not be offered or sold to or for the account of any U.S. person or within the United States except pursuant to an exemption from, or in a transaction not subject to, registration under the U.S. Securities Act;
  - the New Notes, including the Subsidiary Guarantees and JV Subsidiary Guarantees (if any), are being offered in transactions that do not require registration under the U.S. Securities Act or any other applicable securities laws;
  - the New Notes, including the Subsidiary Guarantees and JV Subsidiary Guarantees (if any), are being offered and sold only to or for the account of any non-U.S. person outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act; and
  - unless so registered, the New Notes, including the Subsidiary Guarantees and JV Subsidiary Guarantees (if any), may not be sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
- You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf, that you are not a U.S. person or receiving the New Notes, including the Parent Guarantee and the Subsidiary Guarantees (if any), for the account or benefit of a U.S. person and you are receiving the New Notes, including the Parent Guarantee and the Subsidiary Guarantees (if any), in an offshore transaction in accordance with Regulation S.
- You acknowledge that neither we, the Sole Dealer Advisor nor any person representing us or the Sole Dealer Advisor have made any representation to you with respect to us, the Exchange Offer or the New Notes, other than the information contained in this Exchange Offer Memorandum. You represent that you are relying only on this Exchange Offer Memorandum in making your investment decision with respect to the New Notes, the Parent Guarantee and the Subsidiary Guarantees (if any). You agree that you have had access to such financial and other information concerning us and the New Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees (if any), as you have deemed necessary in connection with your decision to purchase the New Notes, including the Subsidiary Guarantees and JV Subsidiary Guarantees (if any), including an opportunity to ask questions of and request information from us.
- You represent that you are acquiring New Notes, including the Subsidiary Guarantees and JV Subsidiary Guarantees (if any), 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 New Notes, including the Subsidiary Guarantees and JV Subsidiary Guarantees (if any), in violation of the Securities Act.
- You acknowledge that each New Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY 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.

- You acknowledge that we, the Sole Dealer Advisor, the Paying and Transfer Agent (as defined in the indentures governing the New Notes) 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 New Notes, including the Subsidiary Guarantees and JV Subsidiary Guarantees (if any), is no longer accurate, you will promptly notify us and the Paying and Transfer Agent. If you are receiving any New Notes, including the Subsidiary Guarantees and JV Subsidiary Guarantees (if any), 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.

## **LISTING OF THE NEW NOTES**

The Old Notes are listed and quoted on the SGX-ST. Approval in-principle has been received from SGX-ST for the listing and quotation of the New Notes on the Official List of the SGX-ST.

The SGX-ST has not reviewed the contents of this Exchange Offer Memorandum. Listing of the New Notes on the SGX-ST and admission to the Official List of the SGX-ST is not to be taken as an indication of the merits or credit quality of the Exchange Offer, the New Notes, the Company or, if any, the Subsidiary Guarantors or the quality of disclosure in this Exchange Offer Memorandum. The SGX-ST takes no responsibility for the contents of this Exchange Offer Memorandum and assumes no responsibility for the correctness of any of the statements made opinions expressed or reports contained in this Exchange Offer Memorandum. Investors are advised to read and understand the contents of this Exchange Offer Memorandum before investing. If in doubt, investors should consult their own advisers.

## **LEGAL MATTERS**

Certain legal matters with respect to the Exchange Offer will be passed upon for us by Clifford Chance as to matters of Hong Kong law and United States federal and New York law and Conyers Dill & Pearman as to matters of Cayman Islands law and as to matters of British Virgin Islands law.

Certain legal matters with respect to the Exchange Offer will be passed upon for the Sole Dealer Advisor by Dentons Hong Kong LLP as to matters of United States federal and New York law and King & Wood Mallesons as to matters of PRC law.

## **INDEPENDENT AUDITORS**

The Audited Financial Statements have been audited by Ernst & Young, Certified Public Accountants, as stated in their reports appearing therein.



## GENERAL INFORMATION

### CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the New Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the New Notes have been authorized by a meeting of our board of directors held on July 4, 2022.

### LITIGATION

Except as disclosed in this Exchange Offer 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 New Notes.

### NO MATERIAL ADVERSE CHANGE

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2021 that is material in the context of the issue of the New Notes.

### LISTING

Application has been made for the listing and quotation of the New Notes on the SGX-ST. Approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Exchange Offer Memorandum. The approval in-principle from, and admission of the New Notes to the official list of, the SGX-ST is not to be taken as an indication of the merits of the New Notes, the Company, the Subsidiary Guarantors and the Company's subsidiaries or the Group. The New Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent foreign currencies) for so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require. If and for so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore where the New Notes may be presented or surrendered for payment or redemption, in the event that the global certificates of the New Notes are exchanged for certificates in definitive form. In addition, in the event that any of the global certificates of the New Notes are exchanged for certificates in definitive form, announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the certificates in definitive form, including details of the paying agent in Singapore.

### DOCUMENTS AVAILABLE

For so long as any of the New Notes is outstanding, copies of the Indenture may be inspected free of charge 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 specified corporate trust office of the Trustee (being as at the Original Issue Date at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) following prior written request and proof of holding and identity satisfactory to the Trustee.

For so long as any of the New Notes is outstanding, copies of the Audited Financial Statements, may be obtained during normal business hours on any weekday (except public holidays) at the principal registered office of the Company.

### CLEARING SYSTEMS AND SETTLEMENT

The New Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the New Notes is set forth below:

	<u>ISIN</u>	<u>Common Code</u>
The New Notes	XS2496487286	249648728

Only New Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

Questions about the terms of the Exchange Offer should be directed to the Sole Dealer Advisor or the Information and Exchange Agent at their respective addresses and telephone numbers set forth below.

If you have questions regarding tender procedures, please contact the Information and Exchange Agent at the address and telephone number set forth below.

For additional copies of this Exchange Offer Memorandum, please contact the Information and Exchange Agent at the address and telephone number set forth below.

Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee for assistance concerning the Exchange Offer.

## INFORMATION AND EXCHANGE AGENT

### **D.F. King Ltd.**

*In London:*  
65 Gresham Street  
London EC2V 7NQ  
United Kingdom  
Telephone: +44 20 7920 9700

*In Hong Kong:*  
Suite 1601, 16/F, Central Tower  
28 Queen's Road Central  
Central Hong Kong  
Telephone: +852 3953 7208

Email: [huijing@dfkingltd.com](mailto:huijing@dfkingltd.com)  
Exchange Website: <https://sites.dfkingltd.com/huijing>

### **SOLE DEALER ADVISOR**

#### **CMB International Capital Limited**

45<sup>th</sup> Floor, Champion Tower  
3 Garden Road  
Central, Hong Kong

E-mail: [ProjectMusigny@cmbi.com.hk](mailto:ProjectMusigny@cmbi.com.hk)  
Telephone: +852 3761 8990  
Attention: Debt Capital Markets

## OUR REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

*Registered Office*

**Huijing Holdings Company Limited**  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal Place of Business in Hong Kong*

**Huijing Holdings Company Limited**  
Suites 911–912, 9/F,  
One Pacific Place  
88 Queensway,  
Hong Kong

## TRUSTEE, PAYING AND TRANSFER AGENT AND REGISTRAR FOR THE OLD NOTES

**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

## LEGAL ADVISORS TO THE COMPANY

*As to Hong Kong law and United States law*

**Clifford Chance**  
27<sup>th</sup> Floor  
Jardine House  
One Connaught Place  
Central, Hong Kong

*As to Cayman Islands law*

**Conyers Dill & Pearman**  
29<sup>th</sup> Floor  
One Exchange Square  
8 Connaught Place  
Central, Hong Kong

*As to British Virgin Islands law*

**Conyers Dill & Pearman**  
29<sup>th</sup> Floor  
One Exchange Square  
8 Connaught Place  
Central, Hong Kong

## LEGAL ADVISORS TO THE SOLE DEALER ADVISOR

*As to United States law*

**Dentons Hong Kong LLP**  
Suite 3201, Jardine House  
1 Connaught Place  
Central, Hong Kong

*As to PRC law*

**King & Wood Mallesons**  
25<sup>th</sup> Floor, Guangzhou CTF  
Finance Centre  
No.6 Zhujiang East Road  
Zhujiang New Town  
Tianhe District, Guangzhou

## LEGAL ADVISORS TO THE TRUSTEE, PAYING AND TRANSFER AGENT AND REGISTRAR FOR THE OLD NOTES

*As to United States law*

**King & Wood Mallesons**  
13/F Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Central  
Hong Kong

## INDEPENDENT AUDITORS OF THE COMPANY

**Ernst & Young**  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
27/F One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

 HUIJING 滙景