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HUIJING HOLDINGS COMPANY LIMITED

滙景控股有限公司

(於開曼群島註冊成立的有限公司)

(股份代號: 9968)

海外監管公告

本海外監管公告乃根據香港聯合交易所有限公司證券上市規則第13.10B條刊發。

茲提述滙景控股有限公司日期為2020年8月3日就有關票據發行及2020年8月31日有關額外票據發行之公告(「該等公告」)。除文義另有所指外，本公告所用詞彙與該等公告所界定者具有相同涵義。

請參閱隨附日期為2020年8月31日有關額外票據發行之補充資料備忘錄(「補充資料備忘錄」)，其已在新交所網站刊發。

在香港交易及結算所有限公司網站登載補充資料備忘錄僅為向香港投資者同步發佈資訊及遵守上市規則第13.10B條，並無其他目的。

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承董事會命
滙景控股有限公司
主席
倫瑞祥

香港，2020年9月8日

於本公告日期，董事會包括執行董事倫照明先生、劉金國先生及盧沛軍先生；非執行董事倫瑞祥先生及獨立非執行董事趙麗娟女士、熊運信先生及林燕娜女士。

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES.

You must read the following disclaimer before continuing. The following disclaimer applies to the document following this page and you are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the attached document. In accessing the attached document, 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.

You acknowledge that the attached document and the information contained therein are strictly confidential and intended for you only. You are not authorized to and you may not forward or deliver the attached document, electronically or otherwise, to any other person or reproduce such document in any manner whatsoever, nor may you disclose the information contained in the attached document to any third-party or use it for any other purpose. **Any forwarding, distribution, publication or reproduction of the attached document in whole or in part or disclosure of any information contained therein or any use of such information for any other purpose is unauthorized.** Failure to comply with this directive may result in a violation of the securities laws of applicable jurisdictions.

Nothing in this electronic transmission constitutes an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where it is unlawful to do so. The securities referred to in the attached document have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or under any securities laws of any of the states of the United States or other jurisdiction of the United States, and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any of the states of the United States or other jurisdiction of the United States. This offering is made solely in offshore transactions outside the United States pursuant to the exemption from registration under Regulation S.

The attached document is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (as amended or superseded) as implemented in member states of the European Economic Area (the "**EEA**") and the United Kingdom (the "**UK**").

The communication of the attached document and any other document or materials relating to the issue of the securities described therein 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 United Kingdom's Financial Services and Markets Act 2000, as amended ("**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 who have professional experience in matters relating to investments, high net worth companies, high net worth unincorporated associations or partnerships, trustees of high value trusts and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are 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 described in the attached document are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, such 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.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA AND 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 European Economic Area ("**EEA**") or in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU)

No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the securities described in the attached document or otherwise making them available to retail investors in the EEA or 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 EEA or in the UK may be unlawful under the 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 (Chapter 289 of Singapore), as amended (the "**SFA**"), the Company (as defined in the attached document) 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).

CONFIRMATION OF YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED DOCUMENT, INVESTORS MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED DOCUMENT ON THE BASIS THAT YOU HAVE CONFIRMED TO HUIJING HOLDINGS COMPANY LIMITED THAT YOU (I) ARE OUTSIDE THE UNITED STATES, AND, TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S"), IN COMPLIANCE WITH REGULATION S; AND (II) CONSENT TO DELIVERY BY ELECTRONIC TRANSMISSION.

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

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HUIJING HOLDINGS COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

US\$25,000,000
12.50% Senior Notes due 2021
(to be consolidated and form a single class with the US\$110,000,000 12.50% Senior Notes due 2021 issued on August 6, 2020)
Issue Price: 100%
plus accrued interest from (and including) August 6, 2020 to (but excluding) September 3, 2020

Our 12.50% Senior Notes due 2021 (the "New Notes") will bear interest from August 6, 2020 at 12.5% per annum payable on February 6, 2021 and August 5, 2021. The New Notes will mature on August 5, 2021. The New Notes will be consolidated and form a single class with the 12.50% Senior Notes due 2021 in aggregate principal amount of US\$110,000,000 issued by us on August 6, 2020 (the "Original Notes" and, together with the New Notes, the "Notes"). The New Notes will be issued under the indenture (the "Indenture") governing the outstanding Original Notes. The New Notes constitute additional notes under the Indenture and are identical in all respects with the Original Notes, other than with respect to the date of issuance and issue price. Upon completion of this issuance, the aggregate principal amount of outstanding Notes will be US\$135,000,000.

Capitalised terms not defined in this supplemental information memorandum shall have the same meanings ascribed to them in the information memorandum dated August 3, 2020 (the "Original Information Memorandum", and, as supplemented by this supplemental information memorandum, the "Information Memorandum").

This supplemental information memorandum incorporates the information contained in the Original Information Memorandum and should be read in conjunction with the Original Information Memorandum. To the extent that there is any inconsistency between any information in this supplemental information memorandum and the information in the Original Information Memorandum, the information in this supplemental information memorandum shall prevail.

The Notes are senior obligations of Huijing Holdings Company Limited (the "Company"), guaranteed by (i) certain of our existing subsidiaries (the "Subsidiary Guarantors"), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in the section headed "Description of the Notes" of the Original Information Memorandum. We refer to the guarantees provided by the Subsidiary Guarantors as Subsidiary Guarantees. We also refer to the subsidiaries providing a JV Subsidiary Guarantee (as defined below) as JV Subsidiary Guarantors.

At any time prior to August 5, 2021, we may at our option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus a premium (as set out in the section headed "Description of the Notes" of the Original Information Memorandum) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to August 5, 2021, we may redeem up to 35% of the Notes, at a redemption price of 112.50% of the principal amount of the 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 capital stock of the Company. Upon the occurrence of a Change of Control (as defined in herein), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. Upon the occurrence of a Relevant Event (as defined in herein), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (2) at least *pari passu* in right of payment against the Company with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law), (3) effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor, and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). See "Risk Factors – Risks Relating to the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees" of the Original Information Memorandum.

For a more detailed description of the Notes, see the section headed "Description of the Notes" beginning on page 129 of the Original Information Memorandum and "Description of the New Notes" beginning on page S-6 of this supplemental information memorandum.

Investing in the New Notes involves risks. See the section headed "Risk Factors" beginning on page 18 of the Original Information Memorandum.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any of the states of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable state laws. The New Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). For a description of certain restrictions on resale or transfer, see the section headed "Notice to Investors" of this supplemental information memorandum.

It is expected that the delivery of the New Notes will be made on or about September 3, 2020 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream").

Sole Placing Agent



The date of this supplemental information memorandum is August 31, 2020

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You should rely only on the information contained in this supplemental information memorandum and the accompanying Original Information Memorandum. The accompanying Original Information Memorandum contains important information with respect to an investment in the New Notes. This supplemental information memorandum is not complete without the accompanying Original Information Memorandum. Terms not defined in this supplemental information memorandum have the meanings assigned to them in the accompanying Original Information Memorandum. To the extent any information in this supplemental information memorandum (including any information incorporated by reference in it) is inconsistent with the accompanying Original Information Memorandum, you should rely on this supplemental information memorandum, including information incorporated by reference.

The Information 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 the Information 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 the Information Memorandum or that the information contained in the Information Memorandum is correct as of any time after that date.

The Information Memorandum is not a prospectus for the purposes of the Regulation (EU) 2017/1129 as implemented in member states of the European Economic Area (the "EEA").

The communication of this supplemental information memorandum and any other document or materials relating to the issue of the securities described herein 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 United Kingdom's Financial Services and Markets Act 2000, as amended ("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 who have professional experience in matters relating to investors and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are 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 are only available to, and any investment or investment activity to which this supplemental information 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 supplemental information memorandum or any of its contents.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS - The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

We, having made all reasonable inquiries, confirm that: (i) the Information Memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in the Information Memorandum and the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) that is material in the context of the offering of the New Notes; (ii) the statements contained in the Information Memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in the Information Memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), the omission of which would, in the context of the offering of the New Notes, make the Information

Memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

The Information Memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the New Notes. You should read the Information Memorandum before making a decision whether to purchase the New Notes. You must not use the Information Memorandum for any other purpose, or disclose any information in the Information Memorandum to any other person.

We have prepared the Information 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 investing in the New Notes. By purchasing the New Notes, 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.

No representation or warranty, express or implied, is made by CMB International Capital Limited (the "**Sole Placing Agent**"), China Construction Bank (Asia) Corporation Limited as the trustee (the "**Trustee**"), as the paying and transfer agent and as the registrar (the "**Paying and Transfer Agent**" and the "**Registrar**" respectively, and collectively, the "**Agents**") or any of their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in the Information Memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future.

Each person receiving the Information 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 Placing Agent, the Co-Manager, the Trustee, the Agents or any person affiliated with the Trustee 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 offering of the New Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Sole Placing Agent, the Co-Manager, the Trustee or any of the Agents.

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 the Information 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 the Information 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 the Information 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 the Information Memorandum, see the section headed "*Notice to Investors*" below.

The Information Memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in the Information Memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the New Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in the Information Memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the New Notes.

The Information Memorandum should be read and construed in conjunction with the audited consolidated financial statements of the Group as at and for the years ended December 31, 2017 and 2018 with the accountants' report thereon and the audited consolidated financial statements of the Group for the year ended December 31, 2019 with independent auditor's report thereon (collectively, the "**Audited Financial Statements**"), which have been previously published and are contained in the prospectus of the Company's initial public offering on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") dated December 31, 2019 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1231/2019123100053.pdf>) and annual report of the Company for the year ended December 31, 2019 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0420/2020042001049.pdf>), respectively, available on the website of the Stock Exchange. The Audited Financial Statements shall be deemed to be incorporated in, and form part of the Information Memorandum.

The Information Memorandum should also be read and construed in conjunction with the 2020 Interim Results (as defined herein), which have been published on the website of the Stock Exchange on August 20, 2020 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0820/2020082000630.pdf>). The 2020 Interim Results shall be deemed to be incorporated in, and form a part of the Information Memorandum. The 2020 Interim Results have not been audited by our independent accountants or any other independent accountants and may be subject to adjustment if audited. The 2020 Interim Results may not be indicative of our future performance and results of operations. Consequently, potential investors must exercise caution when using such information to evaluate our financial condition and results of operations.

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

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this supplemental information memorandum. Terms used in this summary and not otherwise defined shall have the meanings given to them in the section headed "Description of the Notes" in the Original Information Memorandum.

| | |
|--|--|
| Issuer | Huijing Holdings Company Limited (the " Company "). |
| New Notes issued | 12.50% Senior Notes due 2021 in aggregate principal amount of US\$25,000,000 (the " New Notes "), to be consolidated and form a single class with the 12.50% Senior Notes due 2021 in aggregate principal amount of US\$110,000,000 issued by the Company on August 6, 2020 (the " Original Notes ", and together with the New Notes, the " Notes "). The terms of the New Notes are the same as those of the Original Notes in all respects except for the issue date and issue price. The New Notes will be immediately fungible with the Original Notes upon issuance. |
| Issue Price | 100% of the principal amount of the New Notes, plus accrued interest from (and including) August 6, 2020 to (but excluding) September 3, 2020. |
| Maturity Date | August 5, 2021. |
| Interest | The New Notes will bear interest from and including August 6, 2020 at the rate of 12.50% per annum. |
| Interest Payment Dates | February 6, 2021 and August 5, 2021. |
| Use of Proceeds | The Company intends to use the net proceeds from this issuance for refinancing of certain indebtedness and for other general corporate purposes. |
| Transfer Restrictions | The New Notes will not be registered under the U.S. Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See the section headed "Notice to Investors" in this supplemental information memorandum. |
| 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 depositary for Euroclear and Clearstream. |
| Delivery of the New Notes | The Company expects to make delivery of the New Notes on or about September 3, 2020 which the Company expects will be the third business day following the date of this supplemental information memorandum, referred to as "T+3." You should note that initial trading of the New Notes may be affected by the T+3 settlement. |

Listing

The Original Notes are listed on the Singapore Exchange Securities Trading Limited (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 New Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the New Notes are listed on the SGX-ST.

Security Codes

| ISIN | Common Code |
|--------------|-------------|
| XS2211768473 | 221176847 |

For all other terms, please refer to the section headed "*The Offering*" in the Original Information Memorandum.

RECENT DEVELOPMENT

Unaudited Consolidated Interim Results for the Six Months Ended June 30, 2020

On August 20, 2020, we released the 2020 interim results in accordance with the rules of the Stock Exchange as applicable to us, which included unaudited consolidated interim results of the Group for the six months ended June 30, 2020 (the "**2020 Interim Results**").

The Information Memorandum should be read and construed in conjunction with the 2020 Interim Results, which have been published on the website of the Stock Exchange on August 20, 2020 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0820/2020082000630.pdf>). The 2020 Interim Results shall be deemed to be incorporated in, and form a part of the Information Memorandum. The 2020 Interim Results have not been audited by our independent accountants or any other independent accountants and may be subject to adjustment if audited. The 2020 Interim Results may not be indicative of our future performance and results of operation. Consequently, potential investors must exercise caution when using such information to evaluate our financial condition and results of operations.

USE OF PROCEEDS

We estimate that the net proceeds from this offering after deducting commissions and other estimated expenses payable in connection with this offering, will be US\$24.7 million. We plan to use the net proceeds for refinancing of certain indebtedness and for other general corporate purposes.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated borrowings and capitalization as of December 31, 2019 on an actual and adjusted basis after giving effect to the issue of the Original Notes issued on August 6, 2020, and the New Notes in this offering and after deducting commissions and other estimated expenses payable by us in connection with the relevant offering. The following table should be read in conjunction with the Audited Financial Statements.

| | As of December 31, 2019 | | | |
|---|------------------------------|-------------------------------|------------------------------|-------------------------------|
| | Actual | | As adjusted | |
| | <i>(RMB in millions)</i> | <i>(US\$ in millions)</i> | <i>(RMB in millions)</i> | <i>(US\$ in millions)</i> |
| Borrowings⁽¹⁾ | | | | |
| Short-term borrowings | 1,277.1 | 183.4 | 1,277.1 | 183.4 |
| Long-term borrowings..... | 781.9 | 112.3 | 781.9 | 112.3 |
| Original Notes issued on August 6, 2020 | - | - | 754.7 | 108.4 |
| New Notes to be issued | - | - | 172.0 | 24.7 |
| Total Borrowings | 2,059.0 | 295.7 | 2,985.7 | 428.8 |
| Total Equity | 1,622.6 | 233.1 | 1,622.6 | 233.1 |
| Total Capitalization⁽²⁾ | 3,681.6 | 528.8 | 4,608.3 | 661.9 |

⁽¹⁾ Our borrowings do not include capital commitments or contingent liabilities.

⁽²⁾ Total capitalization equals total borrowings plus total equity.

DESCRIPTION OF THE NEW NOTES

The following provisions should be read in conjunction with the section headed "*Description of the Notes*" in the accompanying Original Information Memorandum.

The Company will issue the New Notes as additional notes under the Indenture.

The Company is issuing US\$25,000,000 in aggregate principal amount of New Notes in this offering. The New Notes constitute additional notes under the Indenture and are identical in all respects to the Original Notes, other than with respect to the issue date and issue price. The New Notes will be consolidated and form a single class with the Original Notes. Upon completion of this offering, the aggregate principal amount of outstanding Notes will be US\$135,000,000. Interest on the New Notes will accrue from August 6, 2020. All references to the Notes in the accompanying Original Information Memorandum include the New Notes and the Original Notes, except as otherwise stated.

The New Notes issued will have the same ISIN and Common Code as those that are assigned to the Original Notes.

UNLESS OTHERWISE DEFINED HEREIN, capitalised terms used herein shall have the same meaning ascribed to them in the section headed "*Description of the Notes – Definitions*" in the Original Information Memorandum.

NOTICE TO INVESTORS

Singapore

The Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Information Memorandum and any other documents 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 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 Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, 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)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Hong Kong

- 1. The New Notes may not be sold in Hong Kong by means of any document, any New Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- 2. No advertisement, invitation or document relating to the New Notes may be issued or had in possession for the purposes 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 of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any 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 New Notes and the Subsidiary Guarantees have not been and will not be registered under the U.S. 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 U.S. Securities Act. Accordingly, the New Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. By purchasing the New Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us:

1. You understand and acknowledge that:
 - (a) the New Notes and the Subsidiary Guarantees 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 within the United States except pursuant to an exemption from, or in a transaction not subject to, registration under the U.S. Securities Act;
 - (b) the New Notes are being offered in transactions that do not require registration under the U.S. Securities Act or any other applicable securities laws; and
 - (c) the New Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.
2. You represent that you are not an affiliate (as defined in Rule 144 under the U.S. Securities Act) of ours, and you are purchasing the New Notes in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.
3. You acknowledge that neither we nor any person representing us has made any representation to you with respect to us or the offering of the New Notes, other than the information contained in the Information Memorandum. You represent that you are relying only on the Information Memorandum in making your investment decision with respect to the New Notes. You agree that you have had access to such financial and other information concerning us and the New Notes as you have deemed necessary in connection with your decision to purchase the New Notes including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the New Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the New Notes in violation of the U.S. Securities Act.
5. You acknowledge that we 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 is no longer accurate, you will promptly notify us. If you are purchasing any New Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

LEGAL MATTERS

Certain legal matters with respect to the New Notes will be passed upon for us by Clifford Chance as to matters of United States federal and New York law and Hong Kong law and Conyers Dill & Pearman as to matters of Cayman Islands law and as to matters of British Virgin Islands law. Certain legal matters will be passed upon for the Sole Placing Agent by Simmons & Simmons as to matters of United States federal and New York law.

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 31, 2020 and August 27, 2020 respectively.

LITIGATION

Except as disclosed in the Information 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 and the related subsidiary guarantees.

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, 2019 that is material in the context of the issue of the New Notes and the related subsidiary guarantees.

LISTING

The Original Notes are listed on the Singapore Exchange Securities Trading Limited (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 the Information 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 and its subsidiaries or the Group. The New Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the New Notes are listed on the SGX-ST. 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 Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified corporate trust office of the Trustee following prior written request and proof of holding and identity satisfactory to the Trustee.

For so long as any of the 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..... | XS2211768473 | 221176847 |

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

APPENDIX: THE ORIGINAL INFORMATION MEMORANDUM

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES.

You must read the following disclaimer before continuing. The following disclaimer applies to the document following this page and you are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the attached document. In accessing the attached document, 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.

You acknowledge that the attached document and the information contained therein are strictly confidential and intended for you only. You are not authorized to and you may not forward or deliver the attached document, electronically or otherwise, to any other person or reproduce such document in any manner whatsoever, nor may you disclose the information contained in the attached document to any third-party or use it for any other purpose. **Any forwarding, distribution, publication or reproduction of the attached document in whole or in part or disclosure of any information contained therein or any use of such information for any other purpose is unauthorized.** Failure to comply with this directive may result in a violation of the securities laws of applicable jurisdictions.

Nothing in this electronic transmission constitutes an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where it is unlawful to do so. The securities referred to in the attached document have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or under any securities laws of any of the states of the United States or other jurisdiction of the United States, and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any of the states of the United States or other jurisdiction of the United States. This offering is made solely in offshore transactions outside the United States pursuant to the exemption from registration under Regulation S.

The attached document is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (as amended or superseded) as implemented in member states of the European Economic Area (the "**EEA**") and the United Kingdom (the "**UK**").

The communication of the attached document and any other document or materials relating to the issue of the securities described therein 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 United Kingdom's Financial Services and Markets Act 2000, as amended ("**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 who have professional experience in matters relating to investments, high net worth companies, high net worth unincorporated associations or partnerships, trustees of high value trusts and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are 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 described in the attached document are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, such 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.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA AND 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 European Economic Area ("**EEA**") or in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU)

No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the securities described in the attached document or otherwise making them available to retail investors in the EEA or 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 EEA or in the UK may be unlawful under the 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 (Chapter 289 of Singapore), as amended (the "**SFA**"), the Company (as defined in the attached document) 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).

CONFIRMATION OF YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED DOCUMENT, INVESTORS MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED DOCUMENT ON THE BASIS THAT YOU HAVE CONFIRMED TO HUIJING HOLDINGS COMPANY LIMITED THAT YOU (I) ARE OUTSIDE THE UNITED STATES, AND, TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S"), IN COMPLIANCE WITH REGULATION S; AND (II) CONSENT TO DELIVERY BY ELECTRONIC TRANSMISSION.

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

The attached document 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 no person nor any person who controls them or any of their respective directors, employees, representation or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version.

You are responsible for protecting against viruses and other destructive items. Your receipt of this electronic transmission 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.

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



HUIJING HOLDINGS COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

US\$110,000,000
12.50% Senior Notes due 2021
Issue Price: 100%

Our 12.50% Senior Notes due 2021 (the "Notes") will bear interest from August 6, 2020 at 12.5% per annum payable on February 6, 2021 and August 5, 2021. The Notes will mature on August 5, 2021.

The Notes are senior obligations of Huijing Holdings Company Limited (the "Company"), guaranteed by (i) certain of our existing subsidiaries (the "Subsidiary Guarantors"), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in the section headed "Description of the Notes" of this information memorandum. We refer to the guarantees provided by the Subsidiary Guarantors as Subsidiary Guarantees. We also refer to the subsidiaries providing a JV Subsidiary Guarantee (as defined below) as JV Subsidiary Guarantors.

At any time prior to August 5, 2021, we may at our option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus a premium (as set out in the section headed "Description of the Notes" of this information memorandum) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to August 5, 2021, we may redeem up to 35% of the Notes, at a redemption price of 112.50% of the principal amount of the 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 capital stock of the Company. Upon the occurrence of a Change of Control (as defined in herein), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. Upon the occurrence of a Relevant Event (as defined in herein), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (2) at least *pari passu* in right of payment against the Company with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law), (3) effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor, and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). See "Risk Factors – Risks Relating to the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees."

For a more detailed description of the Notes, see the section headed "Description of the Notes" beginning on page 129 of this information memorandum.

Investing in the Notes involves risks. See the section headed "Risk Factors" beginning on page 18 of this information memorandum.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any of the states of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable state laws. The Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). For a description of certain restrictions on resale or transfer, see the section headed "Notice to Investors" of this information memorandum.

It is expected that the delivery of the Notes will be made on or about August 6, 2020 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream").

Sole Placing Agent



Co-Manager



The date of this information memorandum is August 3, 2020

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This information 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 information 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 information memorandum or that the information contained in this information memorandum is correct as of any time after that date.

The information memorandum is not a prospectus for the purposes of the Regulation (EU) 2017/1129 as implemented in member states of the European Economic Area (the "EEA").

The communication of the attached document and any other document or materials relating to the issue of the securities described therein 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 United Kingdom's Financial Services and Markets Act 2000, as amended ("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 who have professional experience in matters relating to investors and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are 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 described in the attached document 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.

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

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

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

We have prepared this information 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

investing in the Notes. By purchasing the Notes, 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.

No representation or warranty, express or implied, is made by CMB International Capital Limited (the "**Sole Placing Agent**"), China Merchants Securities (HK) Co., Limited (the "**Co-Manager**"), China Construction Bank (Asia) Corporation Limited as the trustee (the "**Trustee**"), as the paying and transfer agent and as the registrar (the "**Paying and Transfer Agent**" and the "**Registrar**" respectively, and collectively, the "**Agents**") or any of their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this information memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future.

Each person receiving this information 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 Placing Agent, the Co-Manager, the Trustee, the Agents or any person affiliated with the Trustee 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 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 offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Sole Placing Agent, the Co-Manager, the Trustee or any of the Agents.

The 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 information memorandum. Any representation to the contrary is a criminal offense in the United States.

We are not making an offer to sell the 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 information memorandum and the issuance of the securities, including the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), may in certain jurisdictions be restricted by law. Persons into whose possession this information 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 Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), and distribution of this information memorandum, see the section headed "Notice to Investors" below.

This information memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this information memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this information memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the Notes.

This information memorandum should be read and construed in conjunction with the audited consolidated financial statements of the Group as at and for the years ended December 31, 2017 and 2018 with the accountants' report thereon and the audited consolidated financial statements of the Group for the year ended December 31, 2019 with independent auditor's report thereon (collectively, the "**Audited Financial Statements**"), which have been previously published and are contained in the prospectus of the Company's initial public offering on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") dated December 31, 2019 and annual report of the Company for the year ended December 31, 2019, respectively, available on the website of the Stock Exchange. The Audited Financial Statements shall be deemed to be incorporated in, and form part of this information memorandum.

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this information 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 information 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 or our or their respective directors and advisors, and neither we nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly 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 information 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 information memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.9618 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 31, 2019. All such translations in this information 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 information 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 "2017," "2018" and "2019" in this information memorandum are to our financial years ended December 31, 2017, 2018 and 2019, 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 information 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 information 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 information 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 information 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 information 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 information memorandum. Except as required by law, we undertake no obligation to

update or otherwise revise any forward-looking statements contained in this information memorandum, whether as a result of new information, future events or otherwise after the date of this information memorandum. All forward-looking statements contained in this information 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.

SUMMARY

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

OVERVIEW

We are an established integrated residential and commercial property developer in the PRC focusing in the Guangdong and Hunan provinces. Started with property projects in Dongguan, we have gradually spread 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 2019, the total contracted sales of our Group, together with our joint venture, achieved a 71.4% year-on-year growth and amounted to RMB4,391.7 million. Having been recognized by the market, we are dedicated to offering quality properties to our customers. We also offer properties promoting specific industry(ies) encouraged by local government authorities.

Our property projects comprise residential property projects, integrated property projects and property projects promoting specific industry(ies). Our integrated property project 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 industry(ies) comprise of our "tourism-healthy living" property projects ("旅遊康養生活"項目) and innovative technologies industry property 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, 2017, 2018 and 2019, the contracted sales of our Group, together with that of our joint venture, amounted to RMB1,296.1 million, RMB2,562.4 million and RMB4,391.7 million, and recorded a revenue generated from the sale of properties of approximately RMB1,197.8 million, RMB2,238.5 million and RMB3,601.0 million, for the respective periods. For the years ended December 31, 2017, 2018 and 2019, we recorded contracted sales GFA of 138,440 sq.m., 214,264 sq.m. and 338,370 sq.m., respectively, and our Group, together with our joint venture, have developed and delivered properties with a total GFA of 107,576 sq.m., 211,429 sq.m. and 323,795 sq.m., respectively.

Urban renewal developments has been one of our main focuses. As of December 31, 2019, we had commenced pre-selling properties developed from an urban renewal project with a total site area of 121,584 sq.m. and total planned GFA of 2,941,518 sq.m., in relation to which we had a pre-saleable GFA of 494,856 sq.m. as of December 31, 2019. As of the same date, 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 acquired or contracted to acquire eight land parcels for eight projects with a total site area of 379,423 sq.m. as of December 31, 2019, which we view as having potential to develop into urban renewal projects after obtaining the required government approvals or obtaining land use rights over a sufficiently large redevelopment area. 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. We were awarded "2020 China Star Real Estate Developers (2020 中國房地產百強之星)" awarded by China Index Academy (中國指數研究院) in 2020. Huijing Yanhu International Resort was awarded "2019 Eco Living Real Estate Project (2019 年度生態宜居大盤)" by LEJU (新浪樂居), fangq.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). Huijing Global Centre was recognized as "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)" by 0731fdc.com (0731 房產網), 0731 Real Estate Institute, (0731 地產研究院) and Metro TV (地鐵電視). Please refer to the subsection headed "*— Our Awards*" in this section for further details.

RECENT DEVELOPMENT

Initial Public Offering

Subsequent to December 31, 2019, we completed a global offering of 788,100,000 shares at an offer of HK\$1.93 per share. Dealings of the shares on the Main Board of the Stock Exchange commenced on January 16, 2020.

Dividend for the Year Ended December 31, 2019

For the year ended December 31, 2019, the Company declared a special dividend of HK\$4.5 cents per ordinary share.

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

We will implement our mission of "*Maintain foothold in Greater Bay Area*" (立足大灣區). With a foothold in Dongguan, we will primarily focus on developments in Guangdong Province and expand into regions such as the Central China Region.

To achieve our goal, we intend to implement the following strategies:

- Continue to pursue urban renewal projects together with "tourism-healthy living" property projects and innovative technologies industry property projects;
- Improve corporate operation and continue to cooperate with entities in emerging industries;
- Optimise corporate financial structure; and
- Attract, retain and motivate skilled and talented employees.

THE OFFERING

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

| | |
|------------------------|---|
| Issuer | Huijing Holdings Company Limited (the " Company "). |
| Notes issued | US\$110,000,000 aggregate principal amount of 12.50% Senior Notes due 2021 (the "Notes"). |
| Issue Price | 100% of the principal amount of the Notes. |
| Maturity Date | August 5, 2021. |
| Interest | The Notes will bear interest from and including August 6, 2020 at the rate of 12.50% per annum. |
| Interest Payment Dates | February 6, 2021 and August 5, 2021. |
| Ranking of the Notes | <p>The Notes are:</p> <ul style="list-style-type: none">(a) general obligations of the Company;(b) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;(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);(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 Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees</i>" and "<i>Description of the Notes – The Subsidiary Guarantees and the JV Subsidiary Guarantors</i>";(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(f) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries. |
| 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 Notes.</p> <p>The initial Subsidiary Guarantors will consist of all of the Restricted Subsidiaries other than those Restricted Subsidiaries</p> |

organized under the laws of the PRC and the Initial Other Non-Guarantor Subsidiaries (as defined herein).

All of the initial Subsidiary Guarantors are holding companies that do not have significant operations. See the section headed "*Risk Factors – Risks Relating to the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees – Our initial 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 Notes – Definitions*" (other than subsidiaries organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), will guarantee the 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, provided that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Exempted Subsidiaries or Listed Subsidiaries) 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 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

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 Subsidiary and is designated a Restricted Subsidiary. No JV Subsidiary Guarantee exists as of the Original Issue Date.

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will:

- (a) be a general obligation of such JV Subsidiary Guarantor;
- (b) be enforceable only up to the JV Entitlement Amount;
- (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;
- (d) be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment of such JV Subsidiary Guarantee;
- (e) be limited to the JV Entitlement Amount, and 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
- (f) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Use of Proceeds

The Company intends to use the net proceeds from this issuance for refinancing of certain indebtedness and for other general corporate purposes.

Optional Redemption

At any time prior to August 5, 2021, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to August 5, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 112.50% of the principal amount of the 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.

| | |
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| Repurchase of Notes upon a Change of Control | No later than 30 days following a Change of Control, the Company will make an offer to repurchase all outstanding 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 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 Notes at a purchase price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date. |
| Redemption for Taxation Reason | Subject to certain exceptions, the Company may redeem the 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), 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 Notes – Redemption for Taxation Reasons.</i> " |
| Covenants | <p>The Notes, the indenture for the Notes (the "Indenture") 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"> (a) incur or guarantee additional indebtedness and issue disqualified or preferred stock; (b) make investments or other specified restricted payments; (c) issue or sell capital stock of Restricted Subsidiaries; (d) guarantee indebtedness of Restricted Subsidiaries; (e) sell assets; (f) create liens; (g) enter into sale and leaseback transactions; (h) enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (i) enter into transactions with shareholders or affiliates; and (j) effect a consolidation or merger. <p>These covenants are subject to a number of important qualifications and exceptions described in "<i>Description of the Notes – Certain Covenants.</i>"</p> |
| Transfer Restrictions | The Notes will not be registered under the U.S. Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See the section headed " <i>Notice to Investors.</i> " |
| Form, Denomination and Registration | The 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 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 "*Description of the Notes – Book-Entry; Delivery and Form.*"

Delivery of the Notes

The Company expects to make delivery of the Notes on or about August 6, 2020 which the Company expects will be the third business day following the date of this information memorandum, referred to as "T+3." You should note that initial trading of the Notes may be affected by the T+3 settlement.

Trustee

China Construction Bank (Asia) Corporation Limited.

The Indenture provides that the Trustee may take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified, secured or pre-funded to its satisfaction. It may not be possible for the Trustee to take certain actions whether in relation to the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) and accordingly in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of an indemnity, security or prefunding to it, and it will be for Holders to take such actions directly.

Paying and Transfer Agent and Registrar

China Construction Bank (Asia) Corporation Limited.

Governing Law

The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York.

Risk Factors

For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see the section headed "*Risk Factors.*"

Security Codes

| ISIN | Common Code |
|--------------|-------------|
| XS2211768473 | 221176847 |

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 and other financial data for the years ended December 31, 2017, 2018 and 2019 and the summary consolidated statements of financial position as of December 31, 2017, 2018 and 2019 have been derived from the Audited Financial Statements.

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 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 and Other Financial Data

| | For the year ended December 31, | | |
|---|--|------------------|------------------|
| | 2017 | 2018 | 2019 |
| | (RMB in thousands, unless otherwise indicated) | | |
| | (audited) | | |
| Revenue | 1,197,774 | 2,238,462 | 3,605,606 |
| Cost of Sales | (547,674) | (1,045,469) | (1,960,659) |
| Gross Profit | 650,100 | 1,192,993 | 1,644,947 |
| Other income and gains | 14,527 | 16,109 | 27,403 |
| Selling and distribution expenses | (72,927) | (71,332) | (83,818) |
| Administrative expenses | (136,207) | (190,706) | (263,395) |
| Fair value gains on investment properties, net..... | 61,105 | 90,830 | 11,027 |
| Other expenses | (11,584) | (12,694) | (12,466) |
| Finance costs | (50,647) | (77,539) | (82,421) |
| Share of loss of a joint venture..... | (9,622) | (10,311) | (14,468) |
| Profit before taxation | 444,745 | 937,350 | 1,226,809 |
| Taxation | (286,813) | (536,382) | (606,798) |
| Profit for the year | 157,932 | 400,968 | 620,011 |
| Attributable to: | | | |
| Owners of the Parent..... | 158,070 | 403,188 | 615,390 |
| Non-controlling interests | (138) | (2,220) | 4,621 |
| | 157,932 | 400,968 | 620,011 |
| Profit for the year | 157,932 | 400,968 | 620,011 |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | 1,081 | (1,524) | (1,595) |
| Other comprehensive income/(loss) for the year..... | 1,081 | (1,524) | (1,595) |
| Total comprehensive income/(loss) for the year | 159,013 | 399,444 | 618,416 |
| Attributable to: | | | |
| Owners of the Parent..... | 159,151 | 401,664 | 613,795 |
| Non-controlling interests..... | (138) | (2,220) | 4,621 |
| | 159,013 | 399,444 | 618,416 |

Summary Consolidated Statements of Financial Position

| | As of December 31, | | |
|--|--------------------|---------|-----------|
| | 2017 | 2018 | 2019 |
| | (RMB in thousands) | | |
| | (audited) | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11,262 | 20,026 | 17,607 |
| Right-of-use assets | 8,968 | 4,897 | 10,134 |
| Investment properties | 732,100 | 932,300 | 1,002,900 |
| Intangible assets | 3,747 | 4,544 | 5,460 |
| Investment in a joint venture | 80,630 | 56,479 | 28,958 |
| Land held for development for sale | 23,701 | 23,701 | 286,975 |

| | | | |
|---|------------------|------------------|------------------|
| Receivables from a joint venture..... | 277,897 | 458,841 | 492,149 |
| Deferred tax assets..... | 94,339 | 111,425 | 154,076 |
| Total non-current assets..... | 1,232,644 | 1,612,213 | 1,998,259 |
| CURRENT ASSETS | | | |
| Land held for development for sale | 1,002,265 | 1,385,367 | 757,842 |
| Properties under development..... | 1,516,400 | 2,312,033 | 2,875,681 |
| Completed properties held for sale | 980,753 | 805,669 | 1,075,239 |
| Trade receivables..... | 2,560 | 3,368 | 112,806 |
| Prepayments, other receivables and other assets | 1,051,626 | 944,854 | 1,046,327 |
| Amounts due from directors..... | 33,654 | 157,989 | - |
| Amounts due from related parties..... | 1,546,289 | 2,303,327 | - |
| Prepaid corporate income tax..... | 680 | - | - |
| Prepaid land appreciation tax | 16,240 | 3,577 | 22,336 |
| Restricted cash..... | 223,593 | 285,769 | 276,304 |
| Cash and cash equivalents..... | 97,936 | 158,662 | 452,464 |
| Total Current assets..... | 6,471,996 | 8,360,615 | 6,618,999 |
| CURRENT LIABILITIES | | | |
| Trade payables..... | 939,292 | 917,714 | 1,582,636 |
| Other payables, deposits received and accruals | 348,829 | 692,075 | 313,602 |
| Lease liabilities..... | 4,723 | 3,645 | 5,709 |
| Contract liabilities | 1,986,516 | 1,618,240 | 1,724,907 |
| Amounts due to directors | 185,078 | 383,935 | 62,442 |
| Amounts due to related parties..... | 654,486 | 1,427,197 | - |
| Loans from related parties..... | 657,600 | 601,700 | - |
| Interest-bearing bank and other borrowings | 796,298 | 897,095 | 1,277,150 |
| Provision for corporate income tax | 131,739 | 317,516 | 564,036 |
| Provision for land appreciation tax | 237,826 | 361,522 | 595,145 |
| Total current liabilities..... | 5,942,387 | 7,220,639 | 6,125,627 |
| NET CURRENT ASSETS | 529,609 | 1,139,976 | 493,372 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | 1,762,253 | 2,752,189 | 2,491,631 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 952,035 | 1,586,265 | 781,860 |
| Lease liabilities..... | 4,398 | 1,148 | 4,663 |
| Deferred tax liabilities..... | 54,098 | 76,806 | 82,484 |
| Total non-current liabilities..... | 1,010,531 | 1,664,219 | 869,007 |
| NET ASSETS | 751,722 | 1,087,970 | 1,622,624 |
| EQUITY | | | |
| Equity attributable to owners of the Parent | | | |
| Issued Capital | - | - | - |
| Reserves..... | 556,512 | 958,176 | 1,585,879 |
| | 556,512 | 958,176 | 1,585,879 |
| Non-controlling Interests | 195,210 | 129,794 | 36,745 |
| TOTAL EQUITY..... | 751,722 | 1,087,970 | 1,622,624 |

RISK FACTORS

You should carefully consider the risks and uncertainties described below and other information contained in this information memorandum before making an investment decision. The risks and uncertainties described below may not be the only ones that we foresee. 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 Notes, and you could lose all or part of your investment.

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 Guangdong Province, the Yangtze River Delta Urban Cluster and Yangtze Mid-Stream 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 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 the 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. During recent period, Coronavirus Disease 2019 (“**COVID-19**”) quickly spread across China in early 2020. Several cities in China where we have land bank and business operations had been under lockdown and facing travel and other restrictions in efforts to curb the spread of COVID-19 before restrictions were gradually lifted. For 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 expansion into new geographical markets presents certain risks and uncertainties.

In order to achieve and maintain sustainable growth, we need to continue to seek development opportunities in regions with potential for growth and where we may not have any existing operations. We have recently expanded our business to Changsha, Hunan Province, Hefei, Anhui Province and Heyuan, Guangdong Province, all of 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. 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 demand 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 environment. 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.

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, old factories and old villages. In recent years, a number of cities have issued their own policies and plans regarding urban renewal. Urban renewal developments usually involve longer developing cycle, larger capital pressure, higher planning difficulty, and more efforts in negotiations with local government and local existing residents. Moreover, urban renewal developments

usually involve sophisticated procedures. 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 our business operation and financial conditions may be adversely affected.

Further, as a substantial 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 have material changes in the short to medium term, despite any additional costs and resources committed for urban renewal projects. Any material impact from our urban renewal projects would only transpire in the long run, and we may not be able to take advantage of the benefits from urban renewal developments until then.

We have substantial indebtedness and 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. As of December 31, 2017, 2018 and 2019, our bank and other borrowings were approximately RMB1,748.3 million, RMB2,483.4 million and RMB2,059.0 million, respectively, our loans from related parties amounted to RMB657.6 million, RMB601.7 million and nil, respectively, our lease liabilities amounted to RMB9.1 million, RMB4.8 million and RMB10.3 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 on financing costs and repaying loans, and 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) increase 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 others, 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 engage in mergers, consolidation or other change-in-control transactions. 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.

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 project. If we incur default and cannot repay all of the secured indebtedness, we may lose part or all of our equity interests in these project subsidiaries, our proportionate 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 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 a 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 clause 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 cash flow, cash available for distributions, financial condition and results of operations may be materially and adversely affected.

We may not be able to recoup committed resources if our land acquisition fails.

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 the local sentiments); (iii) unexpected urban or infrastructure development in the vicinity (for example, the compulsory acquisition of land by the government for the construction of a 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, title or other defects of 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 delay 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 as being considered as immaterial and capable as being remedied by our Group. 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 cause adverse effect to 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 we operate.

The real estate market in the PRC is highly subject to government policies and regulations. According to the Industry Research Report, in 2015 and 2016, driven by higher household income, stagnant of share market, increasing urbanization rate, etc., residential prices in the PRC skyrocketed, and in order to avoid overheating of the real estate market, the PRC central and local government has promulgated various tightening measures to stabilize housing prices in recent years. In order to curb the rapid rise in housing price and control speculative demand, the PRC Government imposed a series of strict restrictions, including house purchase restrictions (限購), tighter down-payment requirements (限貸), and limit house sale price (限價). Affected by the relevant regulations, the overall real estate market in the PRC gradually cooled down. In the beginning of 2018, cities such as Changsha and Dongguan announced to partially remove housing restrictions policies in order to attract more talents. However, the influence of such removal policies on stimulating residential markets in those cities is still unclear. Further, a series of regulations and policies have been issued by the PRC Government to generally control the growth of the property market, including those relating to idle land, house loans to buyers, financing to property developers, etc. Separately, the relevant laws governing urban renewal processes had undergone changes in recent years, in particular, the introduction of the Opinion had 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 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 laws then applicable. Further, the minimum site area requirement of 100,000 sq.m. (equivalent of 150 mu.) has been imposed for urban renewal under the relevant law, meaning that our current urban renewal projects that have started through this mean may similarly not be feasible if we have to restart them. Resettlement and other fees in our urban renewal projects operated under 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 lands. Generally, the local governmental authority is responsible for entering into resettlement agreements with affected existing residents and clearing the relevant land so that it becomes ready 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 information 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 resettlements 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 operation and financial condition.

Property development involve 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 development or our property becomes less economically viable.

Property development involve uncertainties. We initially capitalized the expenditures 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 in the future. In that case, our development expenses may be written off and recorded as an impairment loss in our financial statements, which could have a material adverse effect on our business, financial conditions and results of operations.

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

As of December 31, 2017, 2018 and 2019, we had receivables from Hunan Development Gaoxin Properties Limited, a joint venture of our Group of RMB277.9 million, RMB458.8 million and RMB492.1 million, respectively. Given that (i) the receivables are unsecured, (ii) the amount of the receivables were on an increasing trend for the three years ended December 31, 2017, 2018 and 2019, and (iii) Hunan Development had been loss-making for the same period, should the credit worthiness of Hunan Development deteriorate or should it fail to settle the receivable 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 the settlement is not made on 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 year ended December 31, 2017

We had negative operating cash flows of RMB94.6 million for the year ended December 31, 2017. We cannot guarantee that we will be able to record positive operating cash flow 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 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 service or product in a timely manner, or if our relationships with any of them deteriorate, our reputation or business operation 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 foundation and building, 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 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 cost 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 mechanism which requires us to bear additional costs if they exceed the original contract price by 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 the increased costs to our customers if there are any substantial increases to labor costs or the price of construction materials. 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.

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 the schedule of our property development and the timing of completion of the property projects.

Generally, we recognize our revenue from 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 as meaningful measures of our financial performance of 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 information 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 are compiled based on our internal records. The amount of contract liabilities differ 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 standard 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 information 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 information memorandum. Accordingly, information on property pre-sale agreements and contract liabilities contained in this information memorandum should not be unduly relied upon as a measure or 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 timetable, 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.

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 our operations and overall financial condition.

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 examples, 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 penalties and our right to use certain land may be taken back by the PRC Government as we failed to commence and/or complete construction of our property projects within prescribed period.

In the past, we have failed to commence and/or complete construction of our property projects within the period prescribed in the 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 or acts of the PRC Government. In such cases, our business operations and financial conditions may be adversely affected.

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

Historically, we experienced certain non-compliance incidents. For example, our rights to use certain parcel of land, building and ancillary facilities may be unenforceable or void, as no title certificate has been registered in respect of the building that we acquired, or certain land in which we were involved in the resettlement operations were homestead land (宅基地), which was collectively owned by the villagers in the region and was under certain legal limits in its land use rights transfer. In addition, we also experienced non-compliance in connection with violation of environmental law, PRC civil air defense law, regulatory requirements social security insurance and housing provident fund contribution for our employees and other PRC laws, rules and regulations. We were subject to penalties or ordered to rectify such non-compliances, as the case may be. 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.

We may be subject to fines or sanctions by the PRC Government if we fail to pay land grant premium or fail to develop properties according to the terms of the land grant contracts.

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 bidding. If we fail to pay land premium payments on time, we may be subject to penalties and our business, operation and financial condition may be adversely affected.

Moreover, even if we 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 project development or other factors result in 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 will materially and adversely affect our results of operation, business and financial condition.

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 years 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 information 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, 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.

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 March 27, 2020, and the Regulation for the Administration of Sales of Commodity Buildings (《商品房銷售管理辦法》), which went 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 were brought against us under our warranties and if we were 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 was 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 had entered into certain joint venture agreements with other property developers to conduct property developments. If we have any dispute with our joint venture partners on any material issues, the operation 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 coverage 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 torturous 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 policy 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, 2019, 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.

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 PBOC, which have fluctuated in the recent years. We incurred finance costs of RMB50.6 million, RMB77.5 million and RMB82.4 million for the year ended December 31, 2017, 2018 and 2019, 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 are subject to risks associated with certain covenants or restrictions under our borrowing arrangements.

We are subject to certain restrictive covenants in our loan and financing agreements with various banks and financial institutions in the PRC which 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 our borrowings. In addition, many of our loan agreements contain covenants where we, or our relevant PRC subsidiary, may not undertake certain transactions such as mergers, joint ventures, restructuring, capital reduction, transfer of material assets, liquidation and distribution, without the written consent of the lender. Breaches of any such loan agreements may trigger the banks or other financial institutions to exercise their rights which may have a material adverse effect on our results of operation, business and financial condition.

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 IPO 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 conditions 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 conditions 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 RMB61.1 million, RMB90.8 million and RMB11.0 million for the year ended December 31, 2017, 2018 and 2019, respectively. 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 change 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 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) can be issued to the property developer. Until the completion certificate is issued, we would 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 occurs 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 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, 2019, our deferred tax assets amounted to RMB154.1 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 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 were 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 has depended 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 the buyers. If we cannot comply with the relevant requirements, the development of our properties or delivery of our properties to the 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 with GFA in excess of 5,000 sq.m. or 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-filing. 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 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. We are also required to make the acceptance report publicly available in accordance with the law unless we are required to keep confidential according to national provisions. If we cannot make 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 in 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 there is anything happened 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 eliminate adverse effects by publishing 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, deteriorate 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.

We may be adversely affected by fluctuations in the global economy and financial markets.

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC real estate industry and many other industries. On August 6, 2011, S&P downgraded the rating for long-term United States debt to “AA+” from “AAA” for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, has slowed the pace of the global economic recovery and could lead to another global economic downturn and financial market crisis.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the recovery in the housing market remains subdued. In the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union (“**Brexit**”). On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union will have a transition period until December 31, 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent and uncertainty of the negotiation, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market.

China’s economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US\$550 billion worth of Chinese products. In retaliation, the Chinese government responded with tariffs on cumulatively US\$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the “**Phase I Agreement**”). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate.

Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China’s economy and the industries in which we operate remains uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected. The above and other issues resulting from the global economic slowdown or uncertainty and financial market turmoil have adversely affected, and may continue to adversely affect homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our access to capital and liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets continue, our business, financial condition and results of operations may likely be adversely affected.

If we fail to implement effectively 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 Hong Kong 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 Hong Kong 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 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.

On April 28, 2013, SAFE issued the Measures for the Administration of Foreign Debt Registration (外債登記管理辦法) ("**Notice No. 19**") which is amended on May 4, 2015. Notice No. 19 stipulate, among other things, that SAFE will no longer process foreign debt registrations and applications for the purchase of foreign exchange submitted by foreign-invested real estate enterprises (including newly established enterprises and enterprises with increased registered capital) which obtained approval certificates from and registered with the Ministry of Commerce ("**MOFCOM**") on or after June 1, 2007. These regulations effectively prohibit our ability to fund our PRC subsidiaries by way of shareholder loans.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government and registration with the MOFCOM, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. There can be no assurance that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation.

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, the novel coronavirus named COVID-19 by the World Health Organization. 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 aftershocks struck Sichuan province again and the 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.

Most recently, a highly infectious disease, COVID-19, quickly spread across China in early 2020. As of the date of this information memorandum, the COVID-19 pandemic has spread to more than 200 countries and regions globally. Several cities in China where we have land bank and business operations have been under lockdown 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. In addition, due to the above-mentioned restrictions, the productivity of our employees was adversely affected. 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. Moreover, it is possible for the local authorities to impose additional restrictions to further contain the spread of the COVID-19, which may further worsen the above-mentioned consequences and result in the worsening of the general economic and social conditions of relevant regions or cities. Recently, the precautionary measures within China have been gradually lifted by relevant governmental authorities, including Hubei province. However, as the outbreak in other countries around the world persists, we cannot assure you that similar measures will not be adopted in China again, including Hubei province or any other regions or cities to prevent or control the transmission of COVID-19. 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 at the moment, 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 virus 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 virus outbreak, on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets. The COVID-19 virus 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 require 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 as 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" is defined as the 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 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 NOTES, THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

We are a holding company and payments with respect to the 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 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 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 Notes. As a result, our payment obligations under the 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 Notes. As of December 31, 2019, our Non-Guarantor Subsidiaries had total debt in the amount of RMB2,059.0 million, capital commitments in the amount of RMB2,331.2 million and contingent liabilities arising from guarantees in the amount of RMB5,581.8 million. The 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 Notes.

Under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse guarantee, or a JV Subsidiary Guarantee, following the sale or issuance to a third party of equity interest of no less than 20% in such subsidiary by its direct or indirect majority shareholders (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 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, 2019, our total borrowings amounted to RMB2,059.0 million, among which, bank and other borrowings amounting to RMB1,277.2 million were due within one year from December 31, 2019. 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 those that become 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 on-going 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 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 may further incur additional debts, the risks that we face as a result of our substantial indebtedness and leverage may further aggravate.

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. 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 were unable to service our indebtedness, or if our guarantors were unable to perform their obligations under the relevant guarantees, or if we were 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 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 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 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 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 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 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 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 other rate not exceeding 7% if the beneficial owner of the interest income is a Hong Kong resident) in respect of any interest to 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 SAFE (including any other documents that 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 may be able 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 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 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 Notes, we may pay dividends on our common stock in 2020 in any amount with respect to any profit for the year ended December 31, 2019 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 Notes.

Interest payable by us to our foreign investors and gains on the sale of our 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 a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income.*" If we are deemed a PRC resident enterprise, any interest payable by us on the 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 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 Notes or any gain realized from the transfer of 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 Note is established and the PRC. It is uncertain whether we will be considered as a PRC "resident enterprise." In addition, pursuant to Circular 36 promulgated by the MOF and SAT on March 23, 2016, which was last amended on April 1, 2019, if the Issuer is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Notes are providing loans within the PRC, the holders of the Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%.

Where a holder of the Notes who is an entity or individual located outside the PRC resells the 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 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 Note(s) would receive such amount as it/he would have received if such withholding tax were not applicable. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the 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 Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether, if we will be considered as PRC "resident enterprise" or holders of our 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 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 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 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 Notes, we may redeem the 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 Notes upon a Change of Control and/or a Relevant Event.

Upon the occurrence of a Change of Control, we are required to make an offer to repurchase all the 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.

Upon the occurrence of a Relevant Event, we are required to make an offer to repurchase all the Notes outstanding at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

However, we may not have sufficient funds at the time of any such aforementioned event to repurchase the 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 serve all the payment obligations of all the accelerated debts or similar instruments (including the repurchase obligations under the 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 a “Change of Control” is triggered, and such uncertainty may limit the benefit of a holder of the Notes in respect of our offer to repurchase the 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 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 (“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 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 Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the 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 interests in respect thereof. Our PRC subsidiaries must present certain documents to 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 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 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 Notes, which could limit our ability to plan for or 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 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 Notes.*"

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

The Notes are a new issue of securities for which there is currently no trading market. In addition, the 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 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 Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the 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 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, will 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 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 Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, 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 Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the 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 information memorandum has been prepared in accordance with 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 information 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 HKFRS and other GAAPs and how those differences might affect the financial information contained in this information memorandum.

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

The Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the 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 Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the 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 Notes and credited by such participants to indirect participants. After payment to the nominee of the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream or, if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of Noteholder under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from Noteholders. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

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 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 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 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 Notes if we are unable to do so. See the subsection headed "*Risks Relating to the Notes – We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.*"

Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues no less than 20% of the capital stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than certain exempted subsidiaries or listed subsidiaries) do not account for more than 15% of our total assets.

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of a minority interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions including a cap on the non-guaranteed portion of the assets of JV Subsidiary Guarantors). 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 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 Notes.

USE OF PROCEEDS

We estimate that the net proceeds from this offering after deducting commissions and other estimated expenses payable in connection with this offering, will be US\$108.4 million. We plan to use the net proceeds for refinancing of certain indebtedness and for other general corporate purposes.

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 20 July 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 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PBOC has enlarged the floating band several times since then 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 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the following business day. On 11 August 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-US 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-US 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 ⁽¹⁾ | High | Low |
| | <i>(RMB per US\$1.00)</i> | | | |
| 2015..... | 6.4778 | 6.2869 | 6.4896 | 6.1870 |
| 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 | | | | |
| January..... | 6.9161 | 6.9184 | 6.9749 | 6.8589 |
| February..... | 6.9906 | 6.9967 | 7.0286 | 6.9650 |
| March..... | 7.0808 | 7.0205 | 7.1099 | 6.9244 |
| April..... | 7.0622 | 7.0708 | 7.0989 | 7.0341 |
| May..... | 7.1348 | 7.1016 | 7.1681 | 7.0622 |
| June..... | 7.0651 | 7.0816 | 7.1263 | 7.0575 |

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

Source: Federal Reserve H.10 Statistical Release

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated borrowings and capitalization as of December 31, 2019 on an actual and adjusted basis after giving effect to the issue of the Notes in this offering after deducting commissions and other estimated expenses payable by us in connection with this offering. The following table should be read in conjunction with the Audited Financial Statements.

| | As of December 31, 2019 | | | |
|---|------------------------------|-------------------------------|------------------------------|-------------------------------|
| | Actual | | As adjusted | |
| | <i>(RMB in millions)</i> | <i>(US\$ in millions)</i> | <i>(RMB in millions)</i> | <i>(US\$ in millions)</i> |
| Borrowings⁽¹⁾ | | | | |
| Short-term borrowings | 1,277.1 | 183.4 | 1,277.1 | 183.4 |
| Long-term borrowings | 781.9 | 112.3 | 781.9 | 112.3 |
| Notes to be issued | - | - | 754.7 | 108.4 |
| Total Borrowings | 2,059.0 | 295.7 | 2,813.7 | 404.1 |
| Total Equity | 1,622.6 | 233.1 | 1,622.6 | 233.1 |
| Total Capitalization⁽²⁾ | 3,681.6 | 528.8 | 4,436.3 | 637.2 |

⁽¹⁾ Our borrowings do not include capital commitments or contingent liabilities.

⁽²⁾ Total capitalization equals total borrowings plus total equity.

We have incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business. Except as otherwise disclosed in this information memorandum, there has been no material adverse change in our capitalization since December 31, 2019.

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

You should read this section in conjunction with the audited consolidated financial information as of and for the year ended December 31, 2017, 2018 and 2019 and, in each case, the related notes thereto. The consolidated financial information has been prepared in accordance with HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. You should review the section headed "Risk Factors" for a discussion of important factors that could cause our actual results to differ materially from the results described in or implied by the forward-looking statements.

OVERVIEW

We are an established integrated residential and commercial property developer in the PRC focusing in the Guangdong and Hunan provinces. Started with property projects in Dongguan, we have gradually spread 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 2019, the total contracted sales of our Group, together with our joint venture, achieved a 71.4% year-on-year growth and amounted to RMB4,391.7 million. Having been recognized by the market, we are dedicated to offering quality properties to our customers. We also offer properties promoting specific industry(ies) encouraged by local government authorities.

Our property projects comprise residential property projects, integrated property projects and property projects promoting specific industry(ies). Our integrated property project 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 industry(ies) comprise of our "tourism-healthy living" property projects ("旅遊康養生活"項目) and innovative technologies industry property 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, 2017, 2018 and 2019, the contracted sales of our Group, together with that of our joint venture, amounted to RMB1,296.1 million, RMB2,562.4 million and RMB4,391.7 million, and recorded a revenue generated from the sale of properties of approximately RMB1,197.8 million, RMB2,238.5 million and RMB3,601.0 million, for the respective periods. For the years ended December 31, 2017, 2018 and 2019, we recorded contracted sales GFA of 138,440 sq.m., 214,264 sq.m. and 338,370 sq.m., respectively, and our Group, together with our joint venture, have developed and delivered properties with a total GFA of 107,576 sq.m., 211,429 sq.m. and 323,795 sq.m., respectively.

Urban renewal developments has been one of our main focuses. As of December 31, 2019, we had commenced pre-selling properties developed from an urban renewal project with a total site area of 121,584 sq.m. and total planned GFA of 2,941,518 sq.m., in relation to which we had a pre-saleable GFA of 494,856 sq.m. as of December 31, 2019. As of the same date, 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 acquired or contracted to acquire eight land parcels for eight projects with a total site area of 379,423 sq.m. as of December 31, 2019, which we view as having potential to develop into urban renewal projects after obtaining the required government approvals or obtaining land use rights over a sufficiently large redevelopment area. 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. We were awarded "2020 China Star Real Estate Developers (2020 中國房地產百強之星)" awarded by China Index Academy (中國指數研究院) in 2020. Huijing Yanhu International Resort was awarded "2019 Eco Living

Real Estate Project (2019 年度生態宜居大盤)" by 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). Huijing Global Centre was recognized as "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) by 0731fdc.com (0731 房產網), 0731 Real Estate Institute, (0731 地產研究院) and Metro TV (地鐵電視). Please refer to the subsection headed "— *Our Awards*" in this section for further details.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL PERFORMANCE

Our results of operations and financial performance have been, and are expected to continue to be, affected by a number of factors, many of which are beyond our control, including those set forth below. The following subsection should be read in conjunction with the section headed "*Risk Factors*" in this information memorandum.

Economic Growth, Speed of Urbanization and Demand for Real Estate Properties in the PRC

The economic growth, urbanization and rising standards of living in the PRC have been the main driving forces behind the increasing market demand for properties. The real estate industry in the PRC is significantly dependent on the PRC's overall economic growth, including the increase in the purchasing power of the consumers in the PRC and the resulting demand for properties. Since we focus on residential and commercial property development and have expanded our business throughout the PRC, we believe that the PRC's overall economic growth and the rate of urbanization in these cities are considerably important to the continued growth of our operations. The overall economic growth in the PRC and the rate of urbanization will continue to be affected by a number of macroeconomic factors, including changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC Government. If (i) there is a downturn in the global economy, the PRC economy, or any of property markets in which we have operation, or a decrease in the pace of urbanization, and (ii) we fail to respond to such changes in a timely manner, there may be a material adverse effect on our business, results of operations and financial performance.

The Regulatory Environment and Measures Affecting the Real Estate Industry in the PRC

Our business and operating results have been, and will continue to be, significantly affected by the regulatory environment and governmental policies in the PRC, in particular by those relating to property market. In the past few years, the PRC Government implemented a series of measures to control the overheated property market, which aimed to discourage speculative investments and increase the supply of affordable residential properties. Therefore, the central and local governments, from time to time, adjust or introduce policies and regulations relating to land grants, pre-sale of properties, bank financing and taxation, planning and zoning, building design and construction, which have significantly impacted the availability and cost of financing for property developers. In addition, restrictive regulations may also affect the availability and cost of financing for potential property buyers, such as higher minimum down payment requirements, higher mortgage rates provided by commercial banks and restrictions on the number of properties which local residents may purchase. If we cannot successfully respond to the changes in regulatory environment and governmental policies, the results of operations and financial position will be negatively affected.

Furthermore, our continuing growth depends, to a certain extent, on our ability to expand into new regions and cities of the PRC. However, we may have insufficient familiarity with local regulatory environment, local economic conditions, local contractors, business practices, customs and customer tastes, behavior and preference. If we fail to leverage our experience or understand the property market in any other cities which we target for expansion, the results of operations and financial position will be adversely affected.

Ability to Acquire Land at Competitive Price

Our continued growth and profitability depends on a large extent on our ability to continue to acquire quality land at reasonable cost to replenish our land reserves, since land acquisition costs are one of the primary components of our cost of sales for properties, which accounted for 19.5%, 19.4% and 25.5%, of cost of sales incurred by the sale of properties for the year ended December 31, 2017, 2018 and 2019, respectively. Based on our current development plans, we believe we have sufficient land reserves for our property developments in the near future. However, land premium in the PRC have generally increased as

a result of the rapidly growing PRC economy in recent years and we believe it will remain on an upward trend. If we are unable to sell our properties at increased prices sufficient to offset increases in costs of sales for properties, our profitability will be adversely affected.

Access to Financing at Reasonable Costs

Property development requires substantial capital investment for land acquisition and construction, and it may take years before breakeven on the investment is achieved. In the past, we have financed our operations primarily through internally generated cash flow including proceeds from the pre-sale of our properties as well as external financings, such as borrowings from commercial banks and trust financing. However, monetary regulations imposed by the PRC Government from time to time may affect our access to capital and cost of financing. Also, we are highly susceptible to any regulations or measures adopted by the PBOC that restrict bank lending, especially those that restrict the ability of property developers to obtain bank financing, since all commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC. We believe any increase in the benchmark lending rates will increase our financing costs. For further information, please refer to the subsection headed "*Risk Factors — Risks Relating to Our Business and Industry — Our financing costs are subject to change in interest rates*" in this information memorandum.

In addition to bank borrowing, we have also funded our business expansion through trust financing which we believe have a greater flexibility in terms of fund availability and repayment requirements than commercial banks. While trust financing providers generally do not link their interest rates to the PBOC benchmark lending rates, they typically charge higher interest rates than those charged by commercial banks. The PRC Government may implement more stringent measures to control risks in loan growth, which may include more stringent review procedures that trust financing providers are required to adopt when considering applications for trust financing and remedial actions that they are required to take in the event of any non-compliance with applicable laws and regulations. Any such further measures that the PRC Government may implement could limit the amount that trust financing providers can make available for PRC property developers. As such, any adoption of more stringent measures by the PRC Government may significantly impact our real estate development business.

Price Volatility of Construction Materials and Labor Costs

Construction costs represented approximately 68.0%, 68.2% and 64.1% of our cost of sales incurred by the sale of properties for the year ended December 31, 2017, 2018 and 2019, respectively, of which, construction materials and labor cost are the two major components. Construction costs fluctuate as a result of changes in the price of certain key construction materials, such as steel and cement. Even though we engage third-party contractors to carry out construction works and do not directly procure construction materials, in certain case, our payments to contractors may be subject to contractual adjustments for any material fluctuation in the price of construction materials. If the increase in the cost of construction materials exceeds the specified thresholds in the relevant contracts we have with construction contractor, we may be required to reimburse our contractors for the shortfall. Our profitability may suffer if we cannot pass on any resulting increases in construction costs to our customers. Furthermore, as we typically pre-sell our properties prior to their completion, we may be unable to pass on any increases in costs to our customers if construction costs increase subsequent to such pre-sale.

Pre-sale

Pre-sale provides a significant source of our operating cash inflow during the course of property development. PRC laws allow us to pre-sell properties before their completion upon obtaining a pre-sale permit from the relevant governmental authorities with the requirement that we use the proceeds from pre-sale to develop the pre-sold property projects. However, we do not recognize revenue from the pre-sale of a property until the property is completed and delivered to the buyer. The timing of pre-sale is dependent upon the progress of property development, since the issuance of a pre-sale permit is subject to specified criteria on the degree of completeness of the construction works. The progress of property development, which can be affected by many factors out of our control, may therefore affect our ability to commence pre-sale or deliver properties to our customers within the specified time limit and in turn affect the amount and timing of cash inflows from pre-sale or revenue we can recognize upon delivery of properties. We also time the launch of our pre-sale depending on the location, type of property and public holidays. Any reduced cash inflow from pre-selling of our properties will increase our reliance on external financing and will impact our ability to finance our continuing property developments.

LAT

We are required to pay LAT for the appreciated value of the properties we sold. We incurred LAT expenses of RMB198.6 million, RMB328.4 million and RMB340.0 million for the year ended December 31, 2017, 2018 and 2019, respectively. We also had a provision for LAT of RMB237.8 million, RMB361.5 million, and RMB595.1 million as of December 31, 2017, 2018 and 2019, respectively. However, the provision for LAT substantially relies on the judgment and estimate of our management and exclusively subject to determination by the tax authorities upon the sale of the properties which may differ from the amounts that we initially calculated. Our financial position may be adversely affected if our LAT liabilities calculated by the relevant tax authorities are substantially higher than our LAT provisions.

Fair Value of Our Investment Properties

Gains or losses arising from changes in the fair value of our investment properties may have a substantial effect on our profits. For the year ended December 31, 2017, 2018 and 2019, we had fair value gains on investment properties of RMB61.1 million, RMB90.8 million and RMB11.0 million, respectively, accounting for 13.7%, 9.7%, and 0.9% of the profit before tax for each respective year.

Fair value of investment properties is affected by, among other factors, supply of and demand for comparable properties, the rate of economic growth, interest rates, inflation, political and economic developments, construction costs and the timing of the development of properties.

Additionally, property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may be higher or lower if the valuer adopts a different set of bases and assumptions or if the valuation is conducted by another qualified independent professional valuer using different set of bases and assumptions.

Furthermore, increases in the fair value of investment properties are unrealized and do not generate any cash inflow for us until such investment properties are disposed of at considerations similar to the valuations. We may therefore experience higher profitability through increases in the fair value of investment properties without corresponding improvement to our liquidity position.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS ITEMS

Revenue

The table below sets out the breakdown of the revenue for the years indicated:

| | For the year ended December 31, | | |
|--------------------------------------|---------------------------------|------------------|------------------|
| | 2017 | 2018 | 2019 |
| | | <i>RMB'000</i> | |
| Sale of properties | 1,197,774 | 2,238,462 | 3,601,049 |
| Lease of investment properties | — | — | 4,557 |
| | 1,197,774 | 2,238,462 | 3,605,606 |

Our revenue mainly comprised the revenue derived from the sale of properties, which depends on two key factors, GFA delivered for the period of time and the recognized ASP during the same period.

Our GFA delivered fluctuated from year to year depending on the size of the property projects and the property development schedules. Consistent with industry practice, we typically enter into sales and purchase contracts with customers while the properties are still under development but after satisfying the conditions for pre-sale in accordance with PRC laws and regulations. In general, there is a time difference between the time we commence the pre-selling properties under development and the completion of the construction of such properties, which, depending on the location of properties, generally varies from 12 to 18 months. We do not recognize any revenue from the pre-sale of the properties until such properties are completed and the title of such properties has been transferred to the customers. Therefore, periods in which we pre-sell a large amount of aggregate GFA may not be periods in which we generate correspondingly high level of revenue, given that the properties pre-sold are not completed within the same period. As a result, our revenue from sale of properties may fluctuate due to property development schedules. For more information related to the risk involving our pre-sale, please refer to subsection headed "— *Key Factors Affecting Our Results of Operations and Financial Performance — Pre-sale*" in this section.

The recognized ASP of properties sold also fluctuated from period to period due to market demand, and the types and location of the properties. Additionally, the ASP has been and will continue to be affected by economic conditions of the properties market in which we operate and by the pricing policies adopted by local governments which may stipulate the range of selling price of our properties.

One of our investment properties, Huijing City, was in operation and for the year ended December 31, 2017, 2018 and 2019, it generated a rental income of nil, nil and RMB4.6 million, respectively.

Cost of Sales

The table below sets out the breakdown of the cost of sales for the years indicated:

| | For the year ended December 31, | | |
|--------------------------------------|---------------------------------|------------------|------------------|
| | 2017 | 2018 | 2019 |
| | | <i>RMB'000</i> | |
| Sale of properties | 547,674 | 1,045,469 | 1,958,259 |
| Lease of investment properties | - | - | 2,400 |
| | 547,674 | 1,045,469 | 1,960,659 |

Our cost of sales incurred by the sale of properties included construction costs, land costs and finance costs. The table below sets forth our cost of properties sold for the years indicated:

| | For the year ended December 31, | | | | | | | | |
|------------------------|---------------------------------|----------------|--------------------------|----------------------|------------------|--------------------------|----------------------|------------------|--------------------------|
| | 2017 | | | 2018 | | | 2019 | | |
| | Unit cost | Total cost | Percentage of total cost | Unit cost | Total cost | Percentage of total cost | Unit cost | Total cost | Percentage of total cost |
| | <i>RMB per sq.m.</i> | <i>RMB'000</i> | % | <i>RMB per sq.m.</i> | <i>RMB'000</i> | % | <i>RMB per sq.m.</i> | <i>RMB'000</i> | % |
| Construction cost..... | 3,460 | 372,227 | 68.0 | 3,374 | 713,278 | 68.2 | 3,860 | 1,249,880 | 63.8 |
| Land cost | 994 | 106,966 | 19.5 | 957 | 202,332 | 19.4 | 1,543 | 499,773 | 25.5 |
| Finance cost..... | 637 | 68,481 | 12.5 | 614 | 129,859 | 12.4 | 644 | 208,606 | 10.7 |
| | 5,091 | 547,674 | 100.0 | 4,945 | 1,045,469 | 100.0 | 6,047 | 1,958,259 | 100.0 |

Construction Costs

Construction costs of properties sold included all costs incurred for construction of properties, primarily including costs incurred for (i) the engagement of third-party contractors which typically cover the cost of labor and construction materials, (ii) the engagement of third-party designers, and (iii) purchase of other services and goods through third party suppliers, such as built-in furniture, kitchen appliances, lighting, sculptures, graphic designing, air conditioner servicing and geological surveying. Our construction costs are affected by a number of factors such as changes in prices of construction labor costs and construction materials costs (particularly steel and cement), location and types of properties, selection of materials, landscaping and development of ancillary facilities.

Land Costs

Land costs represented the costs relating to the acquisition of land use rights. Our land acquisition costs are influenced by a number of factors, including location of property projects, timing of acquisitions, plot ratios of property projects, and changes in PRC Government policies and regulations. We primarily acquire land for our developments through third parties and through urban renewal developments but we may also acquire land through auctions or public tendering processes.

Finance costs

We capitalize interest arising from our interest-bearing borrowings, to the extent that such interest was directly attributable to the construction of a particular property project. Interest that was not qualified for capitalization was expensed and recorded as finance costs in our consolidated statements of profit or loss in the period in which it was incurred. The amount of capitalized interest is largely dependent on the amount of the borrowings, the interest rate and the length of time of a particular property project.

Other Income and Gains

Our other income and gains primarily consisted of interest income, forfeited deposits and interest income from the receivable from Hunan Development, our joint venture. Interest income primarily consists of interest income on bank deposits. Forfeited deposits represents the funds received from certain potential customers who subsequently failed to enter into sales contracts with us. Others included a small amount of

income from the lease of certain unsold properties, while the rental income generated from the lease of our investment properties was recorded as revenue.

Selling and Distribution Expenses

Our selling and distribution expenses primarily comprised (i) advertisement expense representing the marketing activities we conducted for the sale of our properties, (ii) staff costs representing all costs incurred in relation to our sales employees which were expensed for the year they were incurred and (iii) commission expenses representing the commissions to the sales agents we engaged, which would be expensed upon the recognition of relevant revenue from sale of properties.

For the three years ended December 31, 2017, 2018 and 2019, our selling and distribution expenses were RMB72.9 million, RMB71.3 million and RMB83.8 million, respectively.

Administrative Expenses

Administrative expenses primarily consisted of staff costs and business development expenses. The administrative expenses are generally affected by the expansion of our business, which further results in increases in staff costs and business development expenses.

Other Expenses

Other expenses primarily consisted of charity donation expenses, forfeiture of a deposit in relation to the termination of an acquisition of a property project in 2017, the provision for delay in completion of construction of certain properties in 2018, the compensation for delay handover in 2019.

Share of Loss of a Joint Venture

Share of loss of a joint venture represented the portion assumed by our Group of loss incurred by Hunan Development, a joint venture company, on a *pro rata* basis with reference to our Group's equity interest in this company.

Finance Costs

We capitalized most of the interest in relation to our interest-bearing borrowings, to the extent that such interest was directly attributable to the construction of a particular property project. Interest that was not qualified for capitalization was expensed as finance costs in our consolidated statements of profit or loss in the period in which it was incurred.

Income Tax Expenses

Our income tax expenses comprises provisions made for LAT and CIT in the PRC.

CIT

Pursuant to the CIT Law, all of our subsidiaries incorporated in the PRC are subject to a uniform enterprise income tax rate of 25% and we are not entitled to any preferential income tax rate. As of December 31, 2017, 2018 and 2019, our provision for CIT amounted to RMB131.7 million, RMB317.5 million and RMB564.0 million, respectively, were sufficient.

LAT

Under PRC tax laws and regulations, the sale of properties is subject to LAT in respect of the appreciated value of the related land and improvements on such land at progressive rates. The appreciated value is calculated by the revenue generated from sale of properties minus deductible expenditures including land costs, development costs and relevant property development expenditures incurred for the sale of properties while the applicable LAT rate was dependent on the appreciation rate which is calculated by appreciated value divided by deductible expenditures. LAT is exempted when the appreciation rate of ordinary residential units is less than 20% in aggregate. Our Group had made a provision for LAT based on management's understanding of the requirements set out in the relevant tax rules in the PRC.

Our Group prepaid LAT at a rate of 2% to 3% of the sales proceeds in accordance with the relevant tax regulations. Our Group will finalize the LAT of a project with the relevant tax bureau upon the earlier of

(i) when 85% of the saleable GFA has been sold; (ii) the date being three years from when the pre-sale permit was issued; and (iii) any other date upon the tax authority's request.

RESULTS OF OPERATIONS

For the Year Ended December 31, 2018 Compared to the Year Ended December 31, 2019

Revenue

Our revenue increased by 61.1% from RMB2,238.5 million to RMB3,605.6 million for the years ended December 31, 2018 and 2019, respectively, primarily due to 53.1% increase in GFA delivered from 211,429 sq.m. to 323,795 sq.m., during such period, and a 5.0% increase in ASP per sq.m. from RMB10,587 to RMB11,121 over the same period.

Cost of Sales

Corresponding to the increase in revenue, our cost of sales increased by 87.5% from RMB1,045.5 million to RMB1,960.7 million during the same period, which resulted from a significant increase in GFA delivered in 2019 as compared to the same period in 2018.

Gross Profit and Gross Profit Margin

For the foregoing reasons, the gross profit increased by 37.9% from RMB1,193.0 million to RMB1,644.9 million for the years ended December 31, 2018 and 2019, respectively. During the same period, gross profit margin decreased from 53.3% to 45.6%, primarily due to the difference between the product portfolio and regional portfolio of property delivery in 2019.

Other Income and Gains

We generated other income and gains of RMB16.1 million and RMB27.4 million for the years ended December 31, 2018 and 2019, respectively. Such increase was mainly due to the increased bank interest income and forfeiture of deposits.

Selling and Distribution Expenses

Selling and distribution expenses increased by 17.5% from RMB71.3 million for the year ended December 31, 2018 to RMB83.8 million for the year ended December 31, 2019, primarily due to an increase in advertisement expense, as a result of the increased in advertising and marketing activities held in 2019 for project and brand promotion of the Group.

Administrative Expenses

Administrative expenses increased by 38.1% from RMB190.7 million for the year ended December 31, 2018 to RMB263.4 million for the year ended December 31, 2019, primarily due to the increases in (i) listing expense and (ii) additional expenses of RMB46.5 million incurred for equity-settled share option in 2019.

Other Expenses

Other expenses remained relatively stable at RMB12.7 million for the year ended December 31, 2018 and RMB12.5 million for the year ended December 31, 2019.

Fair Value Gains on Investment Properties

Fair value gains on investment properties decreased by 87.9% from RMB90.8 million for the year ended December 2018 to RMB11.0 million for the year ended December 31, 2019 as the fair value of the Group's investment properties remained relatively stable in 2019.

Share of Loss of a Joint Venture

Share of loss of a joint venture increased from RMB10.3 million to RMB14.5 million for the year ended December 31, 2018 and 2019, respectively, primarily due to (i) the increased the salary for our sales staff and (ii) the increased advertising expenses for our joint venture .

Finance Costs

Finance costs increased by 6.3% from RMB77.5 million for the year ended December 31, 2018 to RMB82.4 million for the year ended December 31, 2019, primarily due to the increased bank borrowings in 2019.

Income Tax Expenses

Income tax expenses increased by 13.1% from RMB536.4 million for the year ended December 31, 2018 to RMB606.8 million for the year ended December 31, 2019, with effective income tax rate of 57.2% and 49.5% for the respective year. The decrease in effective income tax rate was primarily due to the decrease in deferred tax expense.

Net Profit and Net Profit Margin

The profit for the year increased by 54.6% from RMB401.0 million to RMB620.0 million for the years ended December 31, 2018 and 2019, respectively, while net profit margin decreased from 17.9% for the years ended December 31, 2018 to 17.2% for the year ended December 31, 2019. The decrease in net profit margin was primarily due to the listing-related expenses and share-based compensation expense incurred in 2019.

For the Year Ended December 31, 2017 Compared to the Year Ended December 31, 2018

Revenue

Revenue increased by 86.9% from RMB1,197.8 million to RMB2,238.5 million for the years ended December 31, 2017 and 2018, respectively, due to a 96.5% increase in GFA delivered during 2018, as we started recognizing revenue from our projects in Heyuan and Hefei.

GFA increased by 96.5% from 107,576 sq.m. to 211,429 sq.m. for the years ended December 31, 2017 and 2018, respectively, primarily due to the delivery of properties of phase one of Bund No. 8 (外灘 8 號) in Heyuan and the residential part of Hefei Huijing City Centre (合肥滙景城市中心), which in aggregate contributed 55.1% of total GFA delivered for the year ended December 31, 2018.

ASP slightly decreased by 4.9% from RMB11,134 to RMB10,587 for the years ended December 31, 2017 and 2018, respectively, primarily due to the delivery of phase one of Bund No. 8 (外灘 8 號) in 2018 which has ASP of RMB5,950 per sq.m. and contributed 38.3% of the total GFA delivered for the year ended December 31, 2018. Such decrease in ASP was partially offset by (i) 13.4% increase in ASP of Huijing Riverside Villa (御海藍岸) from RMB11,031 to RMB12,506 over the same period and a 17.6% increase in ASP of the phase one of Huijing City Centre (滙景城市中心) from RMB11,381 to RMB13,383 over the same period, which in aggregated contributed 42.2% of total GFA delivered for the same period in 2018, and (ii) the delivery of Hefei Huijing City Centre (合肥滙景城市中心) with ASP of RMB15,512 per sq.m., which contributed 16.8% of the total GFA delivered for the year ended December 31, 2018.

Hefei Huijing City Centre (合肥滙景城市中心) is an integrated property, which comprises (i) the residential part for sale and (ii) the commercial part we held for rental income and capital appreciation. For further details on the commercial part of Hefei Huijing City Centre, please refer to the subsection headed "— *Description of Selected Consolidated Statements of Financial Position Items — Investment Properties*" in this section.

Cost of sales

Corresponding to 86.9% increase in revenue, our cost of sales increased by 90.9% from RMB547.7 million to RMB1,045.5 million in the same period in 2018, primarily due to the significant increase in the scale of our operation as evidenced by the increase in 96.5% increase in GFA sold in 2018 as compared to 2017, being partially offset by 2.9% decrease in unit costs in 2018 compared to 2017 from RMB5,091 per sq.m. to RMB4,945 per sq.m..

Gross Profit and Gross Profit Margin

For the foregoing reasons, the gross profit increased by 83.5% from RMB650.1 million to RMB1,193.0 million. Over the same period, the gross profit margin remained steady at 54.3% and 53.3% for the years ended December 31, 2017 and 2018, respectively.

Other Income and Gains

We generated other income and gains of RMB14.5 million and RMB16.1 million for the years ended December 31, 2017 and 2018, respectively, among which, (i) interest income from a loan we granted to Hunan Development increased by 193.9% from RMB4.9 million to RMB14.4 million, corresponding to the increase in loan we granted to it and (ii) deposits forfeited decreased from RMB5.3 million to RMB0.4 million.

Selling and Distribution Expenses

Selling and distribution expenses slightly decreased by 2.2% from RMB72.9 million to RMB71.3 million for the years ended December 31, 2017 and 2018, respectively, among which, (i) sales offices expenses decreased by RMB8.0 million from RMB10.6 million to RMB2.6 million for the years ended December 31, 2017 and 2018, respectively, primarily due to the establishments of sales offices in Heyuan and Hefei in 2017, and (ii) commission expenses increased by 28.3% from RMB14.5 million to RMB18.6 million for the years ended December 31, 2017 and 2018, respectively, partially corresponding to the increase in revenue during such period. Our fluctuation of commission expenses did not fully correspond to the movement of the revenue, since a certain portion of our properties was sold by our sales employees, the costs in relation to whom were expensed for the year they are incurred.

Administrative Expenses

Administrative expenses increased by 40.0% from RMB136.2 million to RMB190.7 million for the years ended December 31, 2017 and 2018, respectively, primarily due to the expansion of our business as evidenced by the increase in our construction activities in 2018, which resulted in increases in our staff costs, legal professional fee, business development expenses and other miscellaneous expenses.

Other Expenses

Other expenses increased from RMB11.6 million to RMB12.7 million for the years ended December 31, 2017 and 2018, respectively due to the provision of RMB8.0 million made in 2018 on a provision basis for the delay in completion of construction of Hefei Huijing City Centre (合肥滙景城市中心).

Fair Value Gains on Investment Properties

Fair value gains on investment properties increased from RMB61.1 million to RMB90.8 million for the years ended December 31, 2017 and 2018, respectively. For further details related to the investment properties, please refer to the subsection headed "*Description of Selected Consolidated Statements of Financial Position Items — Investment Properties*" in this section.

Share of Loss of a Joint Venture

Share of loss of a joint venture slightly increased from RMB9.6 million to RMB10.3 million for the years ended December 31, 2017 and 2018, respectively, due to the increase in operating expenses of Huijing Global Centre (滙景發展環球中心) held by Hunan Development. During the same period, the operating expenses of Hunan Development increased as it incurred increased selling expenses from the commencement of property pre-selling after obtaining the pre-sale permits for Huijing Global Centre in December 2017, but no properties were delivered to customers.

Finance Costs

Finance cost increased by 53.2% from RMB50.6 million to RMB77.5 million primarily for the years ended December 31, 2017 and 2018, respectively, primarily due to 42.0% increase in bank and other borrowings from RMB1,748.3 million as of December 31, 2017 to RMB2,483.4 million as of December 31, 2018, being partially offset by the interests capitalized for the respective periods. For further details regarding to our borrowings, please refer to the subsection headed "*Indebtedness*" in this section.

Income Tax Expenses

Due to 110.8% increase in profit before tax from RMB444.7 million to RMB937.4 million for the years ended December 31, 2017 and 2018, respectively, income tax expense increased by 87.0% from RMB286.8 million to RMB536.4 million over the same period, and effective income tax rate decreased from 64.5% to 57.2% for the same period, primarily due to the decrease in our overall LAT rate over the same period.

Net Profit and Net Profit Margin

For the foregoing reasons, net profit increased by 154.0% from RMB157.9 million to RMB401.0 million for the year ended December 31, 2017 and 2018, respectively, and the net profit margin increased from 13.2% to 17.9% over the same period.

LIQUIDITY AND CAPITAL RESOURCES

We operate in a capital-intensive industry and have funded our growth primarily through cash generated from operations including proceeds from the sale of our properties, debt financing and capital contributions from shareholders. Our cash requirements relate primarily to acquisitions of lands, properties development, debt repayment, and clearance of all applicable taxes for projects developed. Going forward, we may also look for additional financing opportunities, including banking facilities available to us and issuance of corporate bonds and other debt offerings.

Cash Flow Information

The table below sets forth a breakdown of our cash flows for the years indicated:

| | For the year ended December 31, | | |
|--|---------------------------------|----------------|------------------|
| | 2017 | 2018 | 2019 |
| | | <i>RMB'000</i> | |
| Operating cash flows before movements in working capital for the year | 446,068 | 929,899 | 1,351,031 |
| Net cash flows generated from/ (used in) in operating activities | (94,591) | 428,876 | 806,137 |
| Net cash flows used in investing activities | (893,513) | (1,773,914) | (370,620) |
| Net cash flows generated from/(used in) financing activities | 910,689 | 1,405,764 | (141,715) |
| Net increase/(decrease) in cash and cash equivalents | (77,415) | 60,726 | 293,802 |
| Cash and cash equivalents at beginning of year | 175,351 | 97,936 | 158,662 |
| Cash and cash equivalents at end of year | 97,936 | 158,662 | 452,464 |

Cash Flow Generated from/(used in) Operating Activities

Our primary source of cash generated from operating activities was the proceeds we received from the sale of our properties, including pre-sales of properties under development. Our primary uses of cash in operating activities were payments for our property development activities, including land acquisitions and properties constructions.

For the year ended December 31, 2019, our cash generated from operating activities was RMB806.1 million, primarily attributable to the increase in properties under development of RMB1,866.0 million, the decrease in other payables, deposits received and accruals of RMB378.5 million and acquisition of land held for development for sale of RMB269.9 million, being partially offset by the decrease in completed properties held for sale of RMB1,893.8 million and the increase in trade payables of RMB664.9 million.

For the year ended December 31, 2018, our cash generated from operating activities was RMB428.9 million, primarily attributable to the decrease in completed properties held for sale of RMB175.1 million, and the decrease in prepayments, other receivables and other assets of RMB329.8 million, being partially offset by the decrease in contract liabilities of RMB368.3 million and the decrease in other payables, deposits received and accruals of RMB192.2 million.

For the year ended December 31, 2017, our net cash used in operating activities was RMB94.6 million, primarily due to the increase in completed properties held for sale of RMB471.6 million, the increase in prepayment, other receivables and other assets of RMB533.4 million, the decrease in other payables,

deposits received and accruals of RMB114.7 million and the interest paid of RMB152.0 million, being partially offset by the decrease in properties under development of RMB128.4 million, the increase in trade payables of RMB159.6 million and the increase in contract liabilities of RMB562.6 million.

Cash Flow Used in Investing Activities

For the year ended December 31, 2019, our cash flows used in investing activities of RMB370.6 million, primarily attributable to the increase in amounts due from related parties of RMB392.7 million and additions of investment properties of RMB59.6 million, being partially offset by the decrease in amounts due from directors of RMB83.6 million.

For the year ended December 31, 2018, our cash flows used in investing activities of RMB1,773.9 million, primarily attributable to (i) the loan granted to a joint venture of RMB152.7 million, (ii) an increase in amounts due from related parties of RMB757.0 million, (iii) additions of investment properties of RMB109.4 million, (iv) acquisitions of subsidiaries of RMB557.8 million and (v) an increase in restricted cash of RMB62.2 million.

For the year ended December 31, 2017, our cash flows used in investing activities of RMB893.5 million, primarily attributable to (i) the loan granted to a joint venture of RMB140.0 million, (ii) an increase in amounts due from related parties of RMB310.4 million, (iii) additions of investment properties of RMB104.3 million, (iv) acquisitions of subsidiaries of RMB255.0 million and (v) an increase in restricted cash of RMB69.0 million.

Cash Flow Generated from Financing Activities

For the year ended December 31, 2019, our cash flows used in financing activities of RMB141.7 million, primarily attributable to the repayment of bank and other borrowings of RMB1,183.7 million, being partially offset by new bank and other borrowings of RMB759.3 million and loans from related parties of RMB581.2 million.

For the year ended December 31, 2018, our cash flows generated from financing activities of RMB1,405.8 million, primarily attributable to the new bank and other borrowings of RMB1,076.1 million, the increase in amounts due to directors of RMB198.9 million and loans from related parties of RMB483.1 million, being partially offset by repayment of loans from related parties of RMB539.0 million, the repayment of bank and other borrowings of RMB401.9 million, and the acquisition of non-controlling interest of RMB179.4 million.

For the year ended December 31, 2017, our cash flows generated from financing activities of RMB910.7 million, primarily attributable to the new bank and other borrowings of RMB1,243.0 million, the loans from related parties of RMB686.7 million and the increase in amounts due to related parties of RMB400.6 million, being partially offset by the repayment of loans from related parties of RMB772.8 million and the repayment of bank and other borrowings of RMB644.0 million.

INDEBTEDNESS

The table below sets forth aging analysis of our interest-bearing bank and other borrowings as of the date indicated:

| | As of December 31, | | |
|-------------------------------|--------------------|---------|-----------|
| | 2017 | 2018 | 2019 |
| | (RMB) | | |
| | (in thousands) | | |
| Current | | | |
| Bank loans – secured | 374,148 | 422,545 | 1,214,350 |
| Bank loans – unsecured | 120,570 | 24,000 | - |
| Other loans – secured | 284,280 | 433,650 | 62,800 |
| Other loans – unsecured | 17,300 | 16,900 | - |

| | As of December 31, | | |
|----------------------------|-----------------------|-----------|-----------|
| | 2017 | 2018 | 2019 |
| | (RMB) | | |
| | <i>(in thousands)</i> | | |
| Sub-total | 796,298 | 897,095 | 1,277,150 |
| Non-Current | | | |
| Bank loans – secured | 792,035 | 966,265 | 610,660 |
| Other loans – secured..... | 160,000 | 620,000 | 171,200 |
| Sub-total | 952,035 | 1,586,265 | 781,860 |
| Total | 1,748,333 | 2,483,360 | 2,059,010 |

Bank Loans and Other Loans

The following table sets forth the level of our borrowings and their respective maturity profiles as of the dates indicated:

| | As of December 31, | | |
|---|--------------------|------------------|------------------|
| | 2017 | 2018 | 2019 |
| | <i>RMB'000</i> | | |
| Bank loans repayable | | | |
| Within one year..... | 494,718 | 446,545 | 1,214,350 |
| In the second year | 115,000 | 706,658 | 410,880 |
| In the third to fifth years, inclusive..... | 677,035 | 259,607 | 199,780 |
| | 1,286,753 | 1,412,810 | 1,825,010 |
| Other loans repayable | | | |
| Within one year..... | 301,580 | 450,550 | 62,800 |
| In the second year | — | — | 131,200 |
| In the third to fifth years, inclusive..... | 160,000 | 620,000 | 40,000 |
| | 461,580 | 1,070,550 | 234,000 |
| | 1,748,333 | 2,483,360 | 2,059,010 |

Loans from related parties

As of December 31, 2019, we did not have loans from related parties.

Lease Liabilities

As of December 31, 2019, we had lease liabilities of RMB10.4 million.

Contingent Liabilities

The table below set out a breakdown of financial guarantees provided by us as of the dates indicated:

| | As of December 31, | | |
|---|--------------------|------------------|------------------|
| | 2017 | 2018 | 2019 |
| | <i>RMB'000</i> | | |
| Guarantees given to banks in connection with mortgage facilities provided to customers of the Group's properties | 3,033,309 | 4,085,827 | 5,468,152 |
| Guarantees given to banks in connection with facilities granted to the related companies controlled by Mr. Lun Ruixiang | 1,698,500 | 1,849,200 | 113,600 |
| | 4,731,809 | 5,935,027 | 5,581,752 |

OFF-BALANCE SHEET COMMITMENT AND ARRANGEMENT

We had capital commitment which during the three years ended December 31, 2019 represented the property development expenditures, investment properties under construction and acquisition of land we had contracted but not yet incur. We had capital commitment of RMB2,391.9 million, RMB3,017.7 million and RMB2,331.2 million as of December 31, 2017, 2018 and 2019, respectively, the fluctuation of which was in line with our business development.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Foreign exchange risk

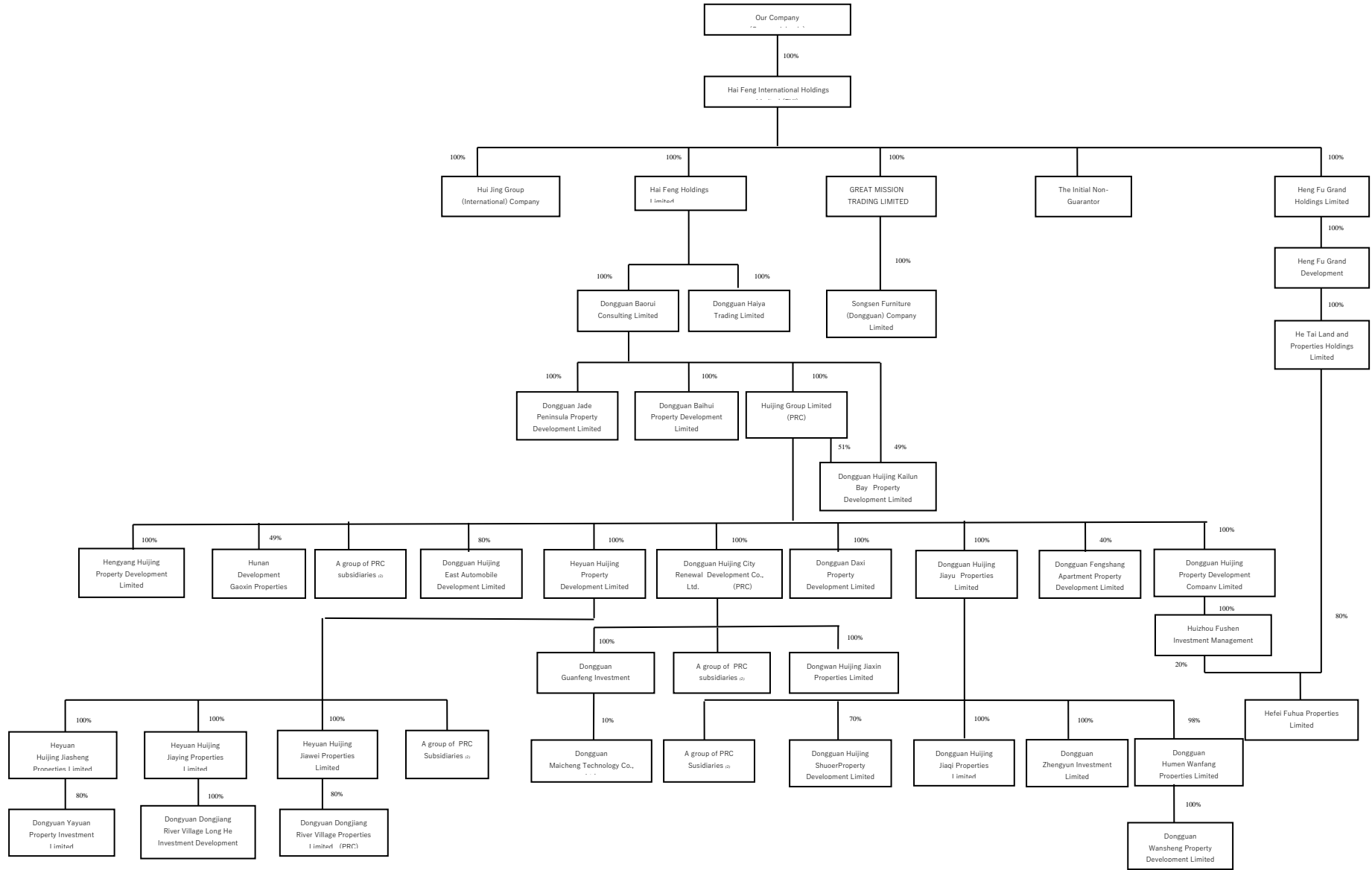
Substantially all of our Group's revenue and expenditure are denominated in RMB. As at 31 December 2019, we have not entered into any hedging transactions. Our Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

Our Group's interest rate risk arises from long-term borrowings. As all of our Group's borrowings are denominated in RMB, the interest rates on our Group's borrowings are primarily affected by interest-bearing bank and other borrowings. Our Group manages its interest rate risk by closely monitoring the trend of interest rate fluctuation and its impact on our Group's interest rate risk exposure, as well as regulating the debt portfolio of the Group.

CORPORATE STRUCTURE

The following chart shows our simplified corporate structure as of June 30, 2020:



-
- (1) The Initial Non-Guarantor Subsidiaries comprised certain subsidiaries which were established outside the PRC and had no material business operations as of June 30, 2020.
- (2) The group of companies comprised certain subsidiaries which were established in the PRC and had no material business operations as of June 30, 2020.

BUSINESS

OVERVIEW

We are an established integrated residential and commercial property developer in the PRC focusing in the Guangdong and Hunan provinces. Started with property projects in Dongguan, we have gradually spread 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 2019, the total contracted sales of our Group, together with our joint venture, achieved a 71.4% year-on-year growth and amounted to RMB4,391.7 million. Having been recognized by the market, we are dedicated to offering quality properties to our customers. We also offer properties promoting specific industry(ies) encouraged by local government authorities.

Our property projects comprise residential property projects, integrated property projects and property projects promoting specific industry(ies). Our integrated property project 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 industry(ies) comprise of our "tourism-healthy living" property projects ("旅遊康養生活"項目) and innovative technologies industry property 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, 2017, 2018 and 2019, the contracted sales of our Group, together with that of our joint venture, amounted to RMB1,296.1 million, RMB2,562.4 million and RMB4,391.7 million, and recorded a revenue generated from the sale of properties of approximately RMB1,197.8 million, RMB2,238.5 million and RMB3,601.0 million, for the respective periods. For the years ended December 31, 2017, 2018 and 2019, we recorded contracted sales GFA of 138,440 sq.m., 214,264 sq.m. and 338,370 sq.m., respectively, and our Group, together with our joint venture, have developed and delivered properties with a total GFA of 107,576 sq.m., 211,429 sq.m. and 323,795 sq.m., respectively.

Urban renewal developments has been one of our main focuses. As of December 31, 2019, we had commenced pre-selling properties developed from an urban renewal project with a total site area of 121,584 sq.m. and total planned GFA of 2,941,518 sq.m., in relation to which we had a pre-saleable GFA of 494,856 sq.m. as of December 31, 2019. As of the same date, 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 acquired or contracted to acquire eight land parcels for eight projects with a total site area of 379,423 sq.m. as of December 31, 2019, which we view as having potential to develop into urban renewal projects after obtaining the required government approvals or obtaining land use rights over a sufficiently large redevelopment area. 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. We were awarded "2020 China Star Real Estate Developers (2020 中國房地產百強之星)" awarded by China Index Academy (中國指數研究院) in 2020. Huijing Yanhu International Resort was awarded "2019 Eco Living Real Estate Project (2019 年度生態宜居大盤)" by 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). Huijing Global Centre was recognized as "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) by 0731fdc.com (0731 房產網), 0731 Real Estate Institute, (0731 地產研究院) and Metro TV (地鐵電視). Please refer to the subsection headed "*Our Awards*" in this section for further details.

RECENT DEVELOPMENT

Initial Public Offering

Subsequent to December 31, 2019, we completed a global offering of 788,100,000 shares at an offer of HK\$1.93 per share. Dealings of the shares on the Main Board of the Stock Exchange commenced on January 16, 2020.

Dividend for the Year Ended December 31, 2019

For the year ended December 31, 2019, the Company declared a special dividend of HK\$4.5 cents per ordinary share.

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 regulation or policy change and our development goals and adjust our land acquisition methods accordingly. By acquiring land through multiple channels and flexible approach, together with our market foresight and in-depth understanding of property market dynamics, we are able to quickly react to changing market conditions and seek and capitalize on land acquisition opportunities by employing the land acquisition methods which could enable us to acquire the land at a relatively low cost. We aim to capture opportunities in China's fluctuating land market by avoiding acquisitions when the land market overheats and by engaging in land acquisitions when a low cost opportunity becomes available. We generally acquire land based on stringent evaluations on market demand, financial and return criteria. We participate in land auctions if proper opportunities emerge but bid cautiously with strict price limit to ensure that our acquired land prices are not overly expensive.

With a deep understanding of the real estate market in the Greater Bay Area, South China City Group and the Yangtze Midstream Urban Cluster and in-depth research on target cities, our Group continues to select and acquire land with strategic location advantages in these regions and cities to further develop the Group's business in these markets. In addition to acquiring land reserve, as of December 31, 2019, we have entered into a total of four preliminary service agreement with relevant parties, with all related projects located in Dongguan City, covering an area of 986,500 sq.m. and undertaken one urban renewal projects with a total site area of approximately 121,584 sq.m.

Our experience in procuring and developing urban renewal projects

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 area that is 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 begun 11 urban renewal projects of varying size and specifications since 2013. Please refer to the subsection headed "*Our Property Development Operation and Management — Key Steps in Our Property Development Process — Research and Investment — Land Acquisition — Urban Renewal*" in this section for further details.

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 renewal 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 which is specifically trained and have relevant experience in urban renewal, 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 sentiments and culture, as well as experience in liaising with local government authorities. We believe such experience would be an advantage for us in handling property developments generally, but would be 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 to 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

Being able to acquire cost-competitive land parcels, strategically located with growth potential, is essential to our continued growth and expansion. For each of the years ended December 31, 2017, 2018 and 2019, our land cost as a percentage of revenue was approximately 8.9%, 9.0% and 13.9%, 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 development compared to cities where we have a foothold in. 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 and at a relatively lower upfront cost, and also 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 could, among other things, enable us to control investment risks when making land acquisition decisions. Please refer to the subsection headed "— Our Property Development Operation and Management — Key Steps in Our Property Development Process — Research and Investment" in this section for further details.
- (iv) *Ability to introduce elements 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 would tend to increase the value of the development as well as the future 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, 2017, 2018 and 2019, our construction costs as a percentage of revenue was approximately 31.1%, 31.9% and 34.7% 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 track record of successfully developing large-scale residential property projects and integrated property projects comprising 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 great population and economic growth, enjoying policy benefits as an area highlighted as a 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), and was included in the 13th Five Year Plan (十三五規劃) in 2016. 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 target opportunities in regional cities which has high growth potential (for example in Hengyang, Changsha, and Hefei, which had respectively experienced GDP growth rates of CAGR of approximately 9.9%, 10.5%, and 11.6% from 2012 to 2017). Of the 17 property projects that we had completed or were underdevelopment as of December 31, 2019, 12 were located in the Greater Bay Area, two were located in the Yangtze Mid-stream Urban Cluster, two were located in Heyuan, and one was located in the Yangtze River Delta Urban Cluster.

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 great growth potential, including Dongguan, Hefei, Jiaying, Shangsha, Hengyang, Heyuan and Chenzhou. We usually invest in land reserves or projects with considerable growth potential before their value increase, and obtained the role of preliminary service provider of urban renewal projects at an early stage. With ability to introduce community development facilities, we are more competitive in land acquisition as compared to traditional real estate developers which could provide only general development projects. Moreover, we have maintained strong relationship with our suppliers and had a professional team to implement systematic cost management, and we have managed our property projects to achieve the target completion date of construction to effectively control the cost. The above cost control measures and our high profitability has provided sound guarantee for any debt incurred by us.

Reasonable capital structure and increasing financing ability

While we actively diversify the financing channels of our Group, we also closely monitor financial risks and maintain a stable expansion. We maintain good relations with large state-owned and local commercial banks and financial institutions. As of December 31, 2019, we had a credit line of RMB2,951.3 million from financial institutions, of which RMB743.9 million remained unutilized. We also actively negotiate with banks to arrange refinancing and our annual short-term financing renewal rate was above 95% each year. We also actively cooperate with various financial institutions, real estate developers and local governments to jointly invest real estate development projects. In addition, we actively expands stable financing channels by raising funds in domestic as well as overseas capital markets and raise funds through bonds and actively adjust the debt structure in the form of corporate bonds and asset-backed security. As of December 31, 2019, our corporate trust loan balance only accounted for 11.4% of the balance of unrelated party interest 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 operation, 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 different regions we operate in. Please refer to the section headed "*Directors and Senior Management*" in this information 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 keep enabling us to attract and retain qualified and dedicated employees.

OUR STRATEGIES

We will implement our mission of "*Maintain foothold in Greater Bay Area*" (立足大灣區). With a foothold in Dongguan, we will primarily focus on developments in Guangdong Province and expand into regions such as the Central China Region.

To achieve our goal, we intend to implement the following strategies:

Continue to pursue urban renewal projects together with "tourism-healthy living" property projects and innovative technologies industry property projects

We plan to continue to focus on property projects in the Greater Bay Area, leverage and reinforce our experience in urban renewal developments in the Greater Bay Area to increase our presence in the field while at the same time continue to pursue "tourism-healthy living" property projects and innovative technologies industry property projects as our development drives. With respect to urban renewal projects, we will strengthen our team and differentiate ourselves from traditional real estate developer 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 implementation of urban renewal projects for which we have obtain relevant land reserves, to achieve our goal of becoming one of the leading real-estate developers in the Great Bay Area.

Improve corporate operation and continue to cooperate with entities in emerging industries

We intend to continue to implement strict risk management and control, build an internal management and control mechanism and organizational system that matches the Group's development strategy to vigorously improve the quality of operations. We will also enrich the value of 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.

Optimise 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 talents 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, the employee will be considered for a discretionary award, including but not limited to, position and salary adjustments and provision of additional trainings. The assessment repeats monthly and is applicable to all employees in our Company.

We will make constant efforts 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 will 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 |
|------------------------------------|--|---|-------------|
| Huijin Holdings | 2020 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 14th 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 Fenghua | China Property Network Starlight Rankings — 2019 Dongguan 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 Riverside Villa | China Property Network Starlight Rankings — 2019 Dongguan 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 |

| Recipient | Award/Recognition | Awarding Authority | Year |
|---|---|---|-------------|
| Hengyang Huijing Property Development Limited | 2018 Hengyang Property Market Top Ten Popular Real Estate Project (2018 衡陽樓市十佳人氣樓盤) | Hengyang Mobile Internet Industry Association (衡陽市移動互聯網產業協會), Hengyang Network Information Association (衡陽市網路資訊協會) and Hi0734.com (你好衡陽網) | 2018 |
| | 2018 Hengyang Property Market Top Ten Investment Value Properties (2018 衡陽樓市十佳投資價值樓盤) | Hengyang Mobile Internet Industry Association (衡陽市移動互聯網產業協會), Hengyang Network Information Association (衡陽市網路資訊協會) and Hi0734.com (你好衡陽網) | 2018 |
| | 2018 Hengyang Property Market Recommended Real Estate Project for Returning Residents (2018 衡陽樓市返鄉置業推薦樓盤) | Hengyang Mobile Internet Industry Association (衡陽市移動互聯網產業協會), Hengyang Network Information Association (衡陽市網路資訊協會) and Hi0734.com (你好衡陽網) | 2018 |
| | 2017 China Hengyang Brand Influencer Real Estate (2017 年中國衡陽品牌影響力房企) | China Index Academy (中國指數研究院) and fang.com (房天下) | 2018 |
| | 2017 Hengyang Property Market Top 10 People Award (2017 年衡陽樓市十佳風雲人物獎) | Hengyang Mobile Internet Industry Association (衡陽市移動互聯網產業協會), Hengyang Network Information Association (衡陽市網路資訊協會) and Hi0734.com (你好衡陽網) | 2018 |
| Huijing Yanhu International Resort | Rising Forces of China's Real Estate 2017 Investment Value Tourism (中國房產新勢力 2017 年投資價值旅遊地產) | Hengyang Tencent (騰訊衡陽) and house.qq.com (騰訊衡陽房產) | 2018 |
| | 2017 China Hengyang Lead Influence of the Year (2017 年中國衡陽年度影響力引領) | China Index Academy (中國指數研究院) and fang.com (房天下) | 2018 |
| | 2017 China Hengyang Top Ten Featured Cultural Tourism Towns of Central China (2017 年中國衡陽華中十佳特色文旅小鎮) | China Index Academy (中國指數研究院) and fang.com (房天下) | 2018 |

| Recipient | Award/Recognition | Awarding Authority | Year |
|---|---|--|-------------|
| Huijing City Centre . | 2017 China Hengyang Model for Eco- Living (2017年中國衡陽生態宜居典範) | China Index Academy (中國指數研究院) and fang.com (房天下) | 2018 |
| | 2017 Anhui Real Estate Jinzun Awards —Valued Investment (2017 安徽地產金樽獎 — 投資價值) | Berui.com (百瑞地產網) and Jianghuai Morning News (江淮晨報) | 2018 |
| | Hefei Most Popular Property Award in the 14 th China Property Network Popularity Rankings (第十四屆中國房地產網路人氣 2017 合肥樓市年度人氣樓盤) | Fang.com (房天下) | 2018 |
| | 2017 Consumer's Most Favorable Real Estate Project of the Year in Anhui (2017年安徽年度最佳消費者喜愛樓盤) | Graduate School of Real Estate of Hefei University (合肥學院房地產研究所), xafc.com (新安房產網) | 2017 |
| | 2017 Anhui Selection of Renowned Enterprises and Renowned Properties — Seven Star Platinum Renowned Property Model (2017 安徽名企名盤評選 — 七星鉑金名宅典範) | Xin'an Wanbao (新安晚報社) | 2017 |
| | 2016 Huading Award of Anhui Property Market in China — Large-scale Complex as City Landmark (2016 中國安徽樓市華鼎獎 — 城市地標綜合大盤) | Credit Association in Anhui Province (安徽省信用協會), Real Estate Association in Anhui Province (安徽省房地產協會), Market Star News (市場星報社), Anhui Financial Online (安徽財經網) | 2017 |
| | 2016 Anhui Top 10 City Complex Annual Award (2016年安徽年度十佳城市綜合體) | Graduate School of Real Estate of Hefei University (合肥學院房地產研究所), xafc.com (新安房產網) | 2016 |
| | 2016 Popular and Blissful Accommodation of the Year in Hefei Property Market (2016 年度合肥房地產市場樂居人氣樓盤) | LEJU (樂居) | 2016 |
| 2016 Anhui Real Estate Jinzun Awards — Real Estate Project to Look Forward to (2016 安徽地產金樽獎 — 值得期待樓盤) | Berui.com (百瑞地產網), Jianghuai Morning Post (江淮晨報) | 2016 | |

| Recipient | Award/Recognition | Awarding Authority | Year |
|-----------------------------|---|---|-------------|
| | Golden Decade Hefei Property Market — Top 10 City Complex (黃金十年合肥樓市 — 十佳城市綜合體) | Graduate School of Real Estate of Hefei University (合肥學院房地產研究所), xafc.com (新安房產網), Anhui Shangbao (安徽商報) | 2016 |
| | Golden Decade Hefei Property Market — Top 10 Brand Real Estate Enterprises (黃金十年合肥樓市 — 十佳風雲品牌房企) | Graduate School of Real Estate of Hefei University (合肥學院房地產研究所), Anhui Shangbao (安徽商報), xafc.com (新安房產網) | 2016 |
| Huijing Global Centre | The 14 th China (Changsha) Property Network Popularity Rankings — 2017 Casino New Label Real Estate Project (第十四屆中國(長沙)房地產網路人氣榜— 2017 年賭場新標籤樓盤) | Beijing Soufang Network Technology Co., Ltd., Changsha Branch (北京搜房網路技術有限公司長沙分公司), Fang.com (房天下) | 2018 |
| | The 14 th China (Changsha) Property Network Popularity Rankings — 2018 Top 10 Potential Commercial Properties (第十四屆中國(長沙)房地產網路人氣榜 — 2018 年十大潛力商用物業) | Beijing Soufang Network Technology Co., Ltd., Changsha Branch (北京搜房網路技術有限公司長沙分公司), Fang.com (房天下) | 2018 |
| | 2017 Xiangshang Top Choice in Brand Office of the Year (2017 年度湘商首選品牌寫字樓) | Hunan Non-local Chambers of Commerce (湖南異地商會聯合會), Shuangnan Collaborative Non-local Chambers of Commerce Guidance and Service Centre (湘南協作異地商會指導服務中心), Hunan Today Shuangfang Channel (新湖南湘房頻道) | 2018 |
| | 2017 Changsha Smart Elevator of the Year and Baidu Index 020 Real Estate Up Ranking — UP Investment Project of the Year (2017 年度長沙智慧電梯& 百度指數 020 房產 UP 榜 — 年度 UP 投資項目榜) | Focus Media (分眾媒體), Framedia (框架), Baidu (百度) | 2017 |
| | 2017 First Changsha Scenic Aerial Filming Exhibition "Scenic Office" (2017 年首屆致美長沙航拍展覽「致美寫字樓」) | Focus Media (分眾媒體), Framedia(框架), Rednet.cn (紅網), Rednet Media (紅網傳媒) | 2017 |

| Recipient | Award/Recognition | Awarding Authority | Year |
|------------------|---|--|-------------|
| | Anticipated Commercial Complexes (值得期待的商業綜合體) | Changsha Real Estate Development Association (長沙市房地產開發協會)/Changsha Real Estate Association (長沙市房地產協會)/haofz.com 好房子網 | 2017 |

OUR BUSINESS

Property Projects

For the year ended December 31, 2017, 2018 and 2019, our revenue from the sale of properties amounted to approximately RMB1,197.8 million, RMB2,238.5 million and RMB3,601.0 million, respectively, accounting for 100%, 100% and 99.9% of our total revenue in the corresponding periods. For the years ended December 31, 2017, 2018 and 2019, we delivered properties with an aggregate GFA of 107,576 sq.m., 211,429 sq.m. and 323,795 sq.m. at an ASP per sq.m. of RMB11,134, RMB10,587 and RMB11,121 respectively.

We develop the following types of property projects: residential property projects, integrated property projects and properties promoting specific industry(ies), namely "tourism-healthy living" property projects ("旅遊康養生活"項目) and innovative technologies industry property projects ("科創產業"項目).

Further details on each respective type of property projects 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 the populous 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 purpose in order to generate a stable and recurring source of income.

Properties Promoting Specific Industry (ies)

We also develop properties promoting specific industry(ies) encouraged by local government authorities to be developed, including "tourism-healthy living" property projects ("旅遊康養生活"項目) and innovative technologies industry property projects ("科創產業"項目). "Tourism-healthy living" (旅遊康養生活) 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, "tourism-healthy living" will be one of our continuing focuses for future developments. Our innovative technologies industry property 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 "tourism-healthy living" property projects and our innovative technologies industry property 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) provision(s) (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 year ended December 31, 2017, 2018 and 2019, we measured our investment properties at fair value, and recorded a fair value gain on investment properties of RMB61.1 million, RMB90.8 million and RMB11.0 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, 2019:

| City | Total land reserve GFA | Percentage of total land reserve GFA |
|--------------------|------------------------|--------------------------------------|
| | <i>(sq.m.)</i> | <i>(%)</i> |
| Dongguan..... | 181,889 | 6.2% |
| Heyuan..... | 1,166,829 | 39.7% |
| Hefei..... | 109,915 | 3.7% |
| Hengyang..... | 1,250,943 | 42.5% |
| Changsha..... | 231,942 | 7.9% |
| Total | 2,941,518 | 100.0% |

The following table sets out the GFA breakdown of the Group's land reserves by property project as of December 31, 2019:

| Property Type | Completed as of 31 December 2019 | | | | Under development as of 31 December 2019 | | | Total estimate GFA for future development (sq.m) | Total GFA (sq.m) |
|---|----------------------------------|------------------|-------------------------------|----------------------------|--|-----------------------|----------------------------|--|------------------|
| | Unsaleable GFA (sq.m) | GFA sold (sq.m) | GFA available for sale (sq.m) | Investment Property (sq.m) | Saleable GFA (sq.m) | Unsaleable GFA (sq.m) | Investment Property (sq.m) | | |
| Residential property project | | | | | | | | | |
| Dongguan | 193,845 | 1,110,441 | 81,155 | – | 65,843 | 23,650 | – | – | 1,474,934 |
| Heyuan | 35,244 | 178,087 | 2,698 | – | 400,968 | 77,006 | – | 763,163 | 1,457,166 |
| Subtotal..... | 229,089 | 1,288,528 | 83,853 | – | 466,811 | 100,656 | – | 763,163 | 2,932,100 |
| Integrated property project | | | | | | | | | |
| Dongguan | 28,659 | 106,438 | 34,891 | – | – | – | – | – | 169,988 |
| Hefei..... | 5,965 | 97,546 | 17,609 | – | 92,306 | 63,995 | – | – | 277,421 |
| Changsha | – | – | – | – | 231,942 | 64,672 | – | – | 296,614 |
| Subtotal..... | 34,624 | 203,984 | 52,500 | – | 324,248 | 128,667 | – | – | 744,023 |
| Investment property | | | | | | | | | |
| Dongguan | – | – | – | 25,780 | – | – | – | – | 25,780 |
| Hefei | – | – | – | – | – | – | 84,121 | – | 84,121 |
| Subtotal..... | – | – | – | 25,780 | – | – | 84,121 | – | 109,901 |
| Property promoting specific industry | | | | | | | | | |
| Hengyang | 1,011 | 27,871 | 23,425 | – | 42,176 | 11,856 | – | 1,185,342 | 1,291,681 |
| Subtotal..... | 1,011 | 27,871 | 23,425 | – | 42,176 | 11,856 | – | 1,185,342 | 1,291,681 |
| Total..... | 264,724 | 1,520,383 | 159,778 | 25,780 | 833,235 | 241,179 | 84,121 | 1,948,505 | 5,077,705 |

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 have 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 phases 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 agreement/share transfer agreements/framework agreement 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, 2019 are as set forth in this information 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 which the completion construction works certified report was obtained for each development, or the last phase of a multi-phase developments. For developments 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 which we have obtained the land use rights, the calculation is based on the relevant land use right certificates; and
- for developments or phases 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 information memorandum is comprised of saleable GFA and non-saleable GFA. Non-saleable GFA as used in this information 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 information 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 map shows the geographical locations of the property projects (excluding land reserves) we acquired, or have contracted to acquire as of December 31, 2019:



Our Property Portfolio

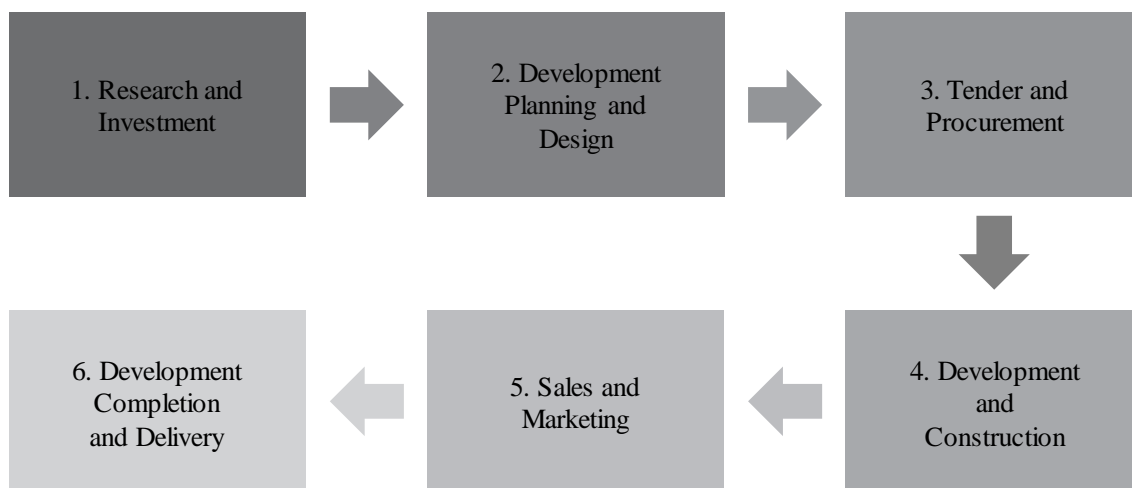
The following table sets forth a summary of the Group's property projects and project phases developed, including projects and project phases held for future development as of December 31, 2019:

| | 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-sold 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 | 45,731 | 402,222 | 36,666 | - | 484,619 | 1,185 | 1,185 | 295 | 3,526 | - | 4,711 | - | 489,330 | 2010.9.30 | 2011.4.1 | 2020.6 |
| Huijing Riverside Villa•Perfection (御海藍岸•臻品)..... | Dongguan | 10,220 | 5,276 | 22,366 | 10,505 | - | 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 | 214,455 | 9,938 | - | 266,417 | - | - | - | - | - | - | - | 266,417 | 2010.12.28 | 2011.5.20 | 2017.3.9 |
| City Valley (城市山谷)..... | Dongguan | 59,665 | 24,566 | 117,798 | 6,412 | - | 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 | 106,438 | 34,891 | - | 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 | 49,444 | 9,064 | - | 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 |
| Huijing Palace (滙景華府) and Huijing Ginza (滙景銀座)..... | Dongguan | 38,001 | 23,619 | 152,229 | 900 | - | 176,748 | - | - | - | - | - | - | - | 176,748 | 2005.6.14 | 2005.10.26 | 2008.9.28 |
| Emperor View Peak (帝景峰)..... | Dongguan | 12,240 | 11,661 | 38,379 | 319 | - | 50,359 | - | - | - | - | - | - | - | 50,359 | 2008.3.19 | 2008.9.23 | 2009.9.16 |
| Humen Marina City (虎門濱海城)..... | Dongguan | 37,407 | 2,130 | 50,958 | 2,581 | - | 55,669 | 48,508 | 39,146 | 38,137 | 17,379 | - | 65,887 | - | 121,556 | 2018.7.27 | 2018.12.14 | 2020.9.30 |
| Fenghua Mansion (豐華公館)..... | Dongguan | 6,042 | - | - | - | - | - | 16,150 | 14,665 | - | 2,745 | - | 18,895 | - | 18,895 | 2018.10.24 | n.a | 2020.6.30 |
| Subtotal..... | | 672,694 | 222,504 | 1,216,879 | 116,046 | 25,780 | 1,581,209 | 65,843 | 54,997 | 38,432 | 23,650 | - | 89,493 | - | 1,670,702 | | | |
| BundNo.8 (外灘 8 號) . | Heyuan | 60,007 | 35,244 | 178,087 | 2,698 | - | 216,029 | - | - | - | - | - | - | - | 216,029 | 2016.7.27 | 2019.5.8 | 2018.12.25 |
| Nine Miles Bay (九里灣花園)..... | Heyuan | 273,500 | - | - | - | - | - | 400,968 | 230,488 | 126,385 | 77,006 | - | 477,974 | 230,456 | 708,430 | 2018.11.30 | 2018.12.20 | 2021.12.31 |
| Dongjiang River Galleries (a portion of)..... | Heyuan | 266,353 | - | - | - | - | - | - | - | - | - | - | - | 532,707 | 532,707 | n.a | n.a | n.a |
| Subtotal..... | | 599,860 | 35,244 | 178,087 | 2,698 | - | 216,029 | 400,968 | 230,488 | 126,385 | 77,006 | - | 477,974 | 763,163 | 1,457,166 | 2017.1.19 | 2017.8.31 | 2020.9.30 |
| Hefei Huijing City Centre (合肥滙景城市中心) . | Hefei | 37,779 | 5,965 | 97,546 | 17,609 | - | 121,120 | 92,306 | - | - | 63,995 | 84,121 | 240,422 | - | 361,542 | 2016.4.28 | 2017.10.30 | 2020.12.31 |
| Huijing Yanhu International Resort (衡南滙景•雁湖生態文旅小鎮)..... | Hengyang | 938,427 | 1,011 | 27,871 | 23,425 | - | 52,307 | 42,176 | 30,886 | 4,211 | 11,856 | - | 54,032 | 1,185,342 | 1,291,681 | 2016.6.30 | 2017.12.25 | 2020.6.30 |
| Huijing Global Centre (滙景發展環球中心) . | Changsha | 27,081 | - | - | - | - | - | 231,942 | 178,486 | 50,617 | 64,672 | - | 296,614 | - | 296,614 | 2016.7.27 | 2019.5.8 | 2018.12.25 |
| Total | | 2,275,841 | 264,724 | 1,520,383 | 159,778 | 25,780 | 1,970,665 | 833,235 | 494,856 | 219,645 | 241,179 | 84,121 | 1,158,535 | 1,948,505 | 5,077,705 | | | |

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 Changsha and Hefei, tier two cities which are the capital of Hunan Province and Anhui Province respectively. 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 "tourism-healthy living" project located a distance away from the urban centre 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 a 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 our successful experience in the core cities can enable us to more currently position our products in the market, 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 key 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 plan 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;
- 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, conduct legal risks analysis, negotiate with counter-parties and execute 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 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 land owners (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

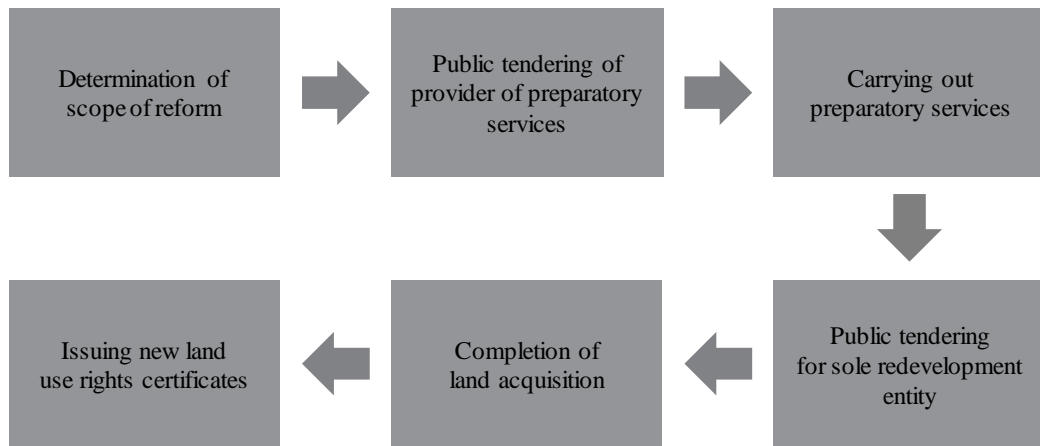
In August 2018, the Opinion was published by the Dongguan People's Government to formally regulate the process for urban renewal in Dongguan. The Opinion introduced the Single Party Scenario and phased out the Cooperation Scenario of urban renewal and imposed more stringent requirements for urban renewal 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 land owner 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. 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 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 preparatory services provider will prepare the detailed urban renewal plan, the selected preparatory services provider will: (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 Rights 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 2–3 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 land parcel which we consider important for the urban renewal project, or 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 could 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, 2019, 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.) |
|--|---|-----------------------------------|
| 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 | | |
| 1 | Zhangmutou Baoshan Area (樟木头宝山片区)..... | Zhangmutou, Dongguan 171,330 |
| 2 | Wanjiang Gonglian Area (万江共联区)..... | Wanjiang, Dongguan 58,230 |
| 3 | Humen Xinwan Area (虎门新湾片区)..... | Humen, Dongguan 14,910 |
| | Sub-total | 244,470 |
| Land interests in connection with projects for which we have obtained initial service providers role for urban renewal | | |
| 4 | Qingxi Qingxia (清溪清厦)..... | Qingxi, Dongguan 161,300 |
| 5 | AI Smart Town (沙田 A.I 小镇)..... | Shatian, Dongguan 294,400 |
| 6 | Cha Shan Shang Yuan (茶山上元) | Chashan Town, Dongguan 207,800 |
| 7 | Xie Gang Li Village (谢岗黎村)..... | Xiegang Town, Dongguan 323,000 |
| | Sub-total | 986,500 |
| Land interests in connection with potential projects | | |
| 8 | Hongmei Hongwugao (洪梅洪尾湾片区项目) ⁽¹⁾ | Hongmei, Dongguan 115,542 |
| 9 | Shatian Renzhou Area (沙田稔洲片区) | Shatian, Dongguan 77,688 |
| 10 | Qingxi Luhua Area (清溪鹿湖片区) | Qingxi, Dongguan 65,206 |

| | Name | Location | Approximate Site Area (sq.m.) |
|----|--|--------------------|----------------------------------|
| 11 | Qingxi Sanzhong Area (清溪三中片区) ⁽¹⁾ | Qingxi, Dongguan | 35,945 |
| 12 | Qingxi Sanxing Area No. 1 (清溪三星第一片区) ⁽²⁾ | Qingxi, Dongguan | 30,157 |
| 13 | Qingxi Sanxing Area No. 2 (清溪三星第二片区) ⁽²⁾ | Qingxi, Dongguan | 16,000 |
| 14 | Nancheng Gedi Area (南城蛤地区) | Nancheng, Dongguan | 29,519 |
| 15 | Shatian Yanggongzhou Area (沙田杨公洲片区) | Shatian, Dongguan | 9,366 |
| | Sub-total | | 379,423 |

(1) We have completed the acquisition of land.

(2) We have completed the acquisition of these parcels of land in relation to urban renewal projects.

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 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 specialised 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, 2019, we did not experience 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 minimise 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 up 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, our Engineering Department within each of our project companies supervise 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, they would be escalated to the chief executive in our project company, and also our Operations Department and we and senior managers at the headquarter level.

Moreover, we engage third-party consultants to conduct quality review on the work quality of our contractors and our employees every quarter based on field measurement against our internal quality standards. We believe the periodical review by independent third parties will provide us an objective feedback for construction quality, incentivise 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 is estimated to calculate the profit forecast; (ii) design — where a detailed budget is drawn upon the confirmation of the design; and (iii) development — where on-going monitoring 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 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 would be quickly escalated to our management team. We believe such procedure 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 budget, and evaluating the performance of the local sales and marketing team. We believe by establishing and strengthening our Sales and Marketing Management Department, and leveraging the supports of our other departments, we are better positioned to gain a deeper understanding of the markets in order to improve our marketing and pricing efforts, and are better able to identify industry trends and customer demands that can benefit in optimizing our products. In order to align the interest of our sales and marketing personnel with that of our Group, together with our joint venture, 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 sales agents promote our property projects through their own marketing networks and bring in potential customers to our development sites. In consideration of their services, we typically pay a commission depending on the total sales amount they make.

For each of the years ended December 31, 2017, 2018 and 2019, , we incurred selling 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 RMB72.9 million, RMB71.3 million and RMB83.8 million, respectively.

Our Sales and Marketing Management Department is actively engaged in, from early stage, development positioning, to later stages, such as price setting and opening for sale, in order to ensure that our properties are well positioned and approximately priced.

Pre-sale

In line with industry practice, we conduct pre-sale of our properties prior to the completion of construction. Our Sales and Marketing Management Department is responsible for setting 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, 2019, we did not experience any significant delays in obtaining the pre-sale permits that materially and adversely affect 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 target 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 are required to constantly monitor the changing market conditions and adjust the selling prices of our properties as appropriate.

As part of our marketing strategies, 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 were effective in attracting potential customers and we consider that the discount granted were in line with the then prevailing market practice.

Payment Arrangements

Customers may purchase our properties by one lump-sum payment, installment payments or mortgage loans provided by the 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 purchases. 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 warranty 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 the walls or sanding of large areas — two years;
- for defects relating to the cracking of doors or windows, or damage to the 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 analysing 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, 2017, 2018 and 2019, our five largest suppliers accounted for 75.7%, 66.1% and 39.6% of our total purchases, respectively. Our single largest supplier for each of the years ended December 31, 2017, 2018 and 2019, accounted for 24.2%, 24.0% and 12.2% 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 information 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 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 developments unless required to under the relevant loan or financing agreements. If we secure bank loans from commercial bank(s) 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 policy 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 safety protective equipment to our employees and require our contractors to ensure that their onsite constructions comply with applicable PRC safety laws and regulations, and have developed policies and procedures regarding work safety and occupational health issues. Our Projects 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 at 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, 2019, 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, Macau, Taiwan, New Zealand and Australia to protect our intellectual property rights. Additionally, we also have registered the domain name of www.huijingholdings.com for the website of our Group on the Internet.

EMPLOYEES

We recruit our employees on an as-need 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 immediately 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, 2019, we had 524 full-time employees. The following tables sets forth a breakdown of our employees as of December 31, 2019:

| Function | Number of employees |
|--|----------------------------|
| Senior managements | 8 |
| Human resources, information technology and administration | 95 |

| Function | Number of employees |
|--|----------------------------|
| Development and investments | 40 |
| Engineering and design | 56 |
| Cost management, tendering and procurement | 77 |
| Projects and operations | 63 |
| Sales and marketing | 84 |
| Accounts and financing | 81 |
| Legal and audit..... | 20 |
| Total..... | 524 |

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 includes 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, 2019, 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, 2019, 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, 2019, our Internal Control Department had 13 staff, including qualified accountants in the PRC and in Hong Kong.

REGULATION

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, 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.

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

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the level immediately superior. 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 amended on October 28, 2007 and August 31, 2012 and June 27, 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, **provided that** the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the 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.

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 26 August 2019 and effective on 1 January 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 as amended in March 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, MOFCOM, the NDRC, the PBOC, 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 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, stipulates the requirements for the approval and supervision of foreign investment in real estate.

On September 27, 2007, the PBOC and 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, 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 will replace 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:

- establishment of a foreign invested enterprise in China, independently or jointly with any other investor
- acquisition of shares, equities, property or any other similar rights and interests of an enterprise in China
- investment in a new project in China, independently or jointly with any other investor
- 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 "Special Administrative Measures (Negative List) for Foreign Investment Access." According 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, 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.

QUALIFICATIONS OF A PROPERTY DEVELOPER

On June 23, 2020, the NDRC and the MOFCOM jointly issued the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020) (外商投資准入特別管理措施(負面清單)(2020年版)) (the "**Negative List**"), which became effective on July 23, 2020. The Negative 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 amended in May 2015, a property developer shall apply for registration of its qualifications in accordance with the Provisions on Administration of Qualifications. An enterprise may not engage in development and sale of property without a qualification classification certificate for property development. The construction authority under the State Council oversees the qualifications of property developers throughout the country, and the property development authority under a local government on or above the county level shall oversee the qualifications of local property developers.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to preliminary examination by the construction authority of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualifications shall be formulated by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government. A developer who fulfills the qualification requirements will be issued a qualification certificate of the relevant class by the qualification examination authority.

Under the Development Regulations, the property development authorities shall examine applications for registration of qualifications of a property developer when it reports its establishment, by considering its assets, professional personnel and business results. A property developer shall only undertake property development projects in compliance with the approved qualification registration.

After a newly established property developer reports its establishment to the property development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days after accepting the report application. The term of validity of Provisional Qualification Certificate is one year, while the property development authority may extend the validity to a period of no longer than two years considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before expiry of the Provisional Qualification Certificate.

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

DEVELOPMENT OF A 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, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay an 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.

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 "Measure for the Disposal of Idle Land" (閒置土地處置辦法) was promulgated by the Ministry of Land and Resources on 28 April 1999 and as amended on June 1, 2012 with effect from July 1, 2012, 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**":

- 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

- 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:

- 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
- 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.

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.

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) 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%; (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 a 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 3-5 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.

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:

- 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;
- a construction works planning permit and a construction works commencement permit have been obtained;
- 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
- 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 estates 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 estates 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.

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:

- 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;
- 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;
- 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
- 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.

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; (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.

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.

MORTGAGES OF REAL ESTATE

Under the "Urban Real Estate Law" promulgated in July 1994, as amended in August 2007, the Guarantee Law of the People's Republic of China (中華人民共和國擔保法) promulgated in June 1995 and implemented in October 1995, 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, 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.

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:

- 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.
- Commercial banks shall not grant loans to property developers to finance the payment of land premium.
- Commercial banks may not provide loans in any form for a property development project without a land use 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.

INSURANCE

There is no mandatory provision in under PRC laws and regulations requiring 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.

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). On May 1, 2016, the "transitioning from business tax to value-added tax" scheme became effective. 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:

Prepaid VAT = Presale proceeds ÷ (1 + applicable rate or simplified rate) X 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) 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 percent to 16 percent for manufacturing and some other industries, and from 11 percent to 10 percent 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:

- amount paid for obtaining the land use rights;
- costs and expenses for land development;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property;
- 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:

- 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;
- Property taken over and repossessed according to the law due to the construction requirements of the government;

- 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 5 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, 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 5 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," which was amended on January 1, 2015 (關於土地增值稅若干問題的通知). The Circular stipulated the following:

- 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.
- 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.
- 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."
- 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 July 7, 2016 and 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 cancellation 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; (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.

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.

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%-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. Pursuant to the "Implementation Provisions on Deed Tax in Guangdong Province"

(廣東省契稅實施辦法) promulgated by the People's Government of Guangdong in May 1998, the rate of deed tax in Guangdong is 3%.

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 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征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.

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.

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.

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) promulgated by the State Council in 1985 and 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.

Education Surcharge

Under the "Interim Provisions on Imposition of Education Surcharge" (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990, August 20, 2005 and January 8, 2011, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the "Notice of the State Council on Raising Funds for Schools in Rural Areas" (國務院關於籌措農村學校辦學經費的通知). Under the "Supplementary Notice Concerning Imposition of Education Surcharge" (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the "Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises" and the "Reply on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises" issued by the State Administration of Taxation on February 25, 1994 and on September 14, 2005, respectively, whether foreign-invested enterprises are subject to the education surcharge will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

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.

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:

- 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 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.
- 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.

- 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.
- 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 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 time 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" 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 time 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:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a 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;
- 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;
- 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

- imposing a business tax levy on the entire sales proceeds from 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:

- 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;
- 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
- 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:

- 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;
- 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;
- 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;
- 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;

- 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;
- 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;
- 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
- 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 February 17, 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:

- Where the application is 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.
- Acquisition of or investment in domestic real estate enterprises by way of return investment (including the same actual controlling person) shall be strictly controlled.

Overseas 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 a 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; (iii) and 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 issued a document emphasizing 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 30, 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 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 of the PRC, 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 25, 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), 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 11, 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 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.

In 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. 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 simultaneous 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.

| | 2019 | 2018 |
|--|-----------------|-------------|
| | <i>RMB '000</i> | |
| Companies controlled by Mr. Lun Ruixiang: | | |
| Construction costs | 49,489.00 | 31,101.00 |
| Office rental expenses | 2,248.00 | 1,871.00 |
| Motor vehicle rental expenses | – | 132.00 |
| Management fee expense | 9,774.00 | 3,610.00 |
| Interest expense | 53,741.00 | 35,206.00 |
| Management fee income | 430.00 | 421.00 |
| Companies controlled by a family member of Mr. Lun Ruixiang: | | |
| Construction costs | 323.00 | 306.00 |
| Sale of a car parking space to Ms. Chan Hau Wan | – | 95.00 |
| Joint venture: | | |
| Interest income | 26,642.00 | 28,245.00 |

PRINCIPAL SHAREHOLDERS

As of December 31, 2019, 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:

| Name of Director | Nature of Interests | Number of shares (Note 1) | Underlying shares interested | Total | Approximate percentage of shareholding |
|---------------------------|--|--|------------------------------------|---------------|--|
| Mr. Lun Ruixiang | Interest in a controlled corporation ^(Note 2) | 4,421,241,000 ^(L) | — | 4,421,241,000 | 84.15% |
| | Interest of spouse | 44,659,000 ^(L) ^(Note 3) | 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 ^(L) ^(Note 2) | 9,600,000 | 4,430,841,000 | 84.33% |
| | Interest in a controlled corporation | 44,659,000 ^(L) | — | 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 ^(L) | — | 4,421,241,000 | 84.15% |

Notes:

- The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such shares.
- 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.
- 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

| <u>Name</u> | <u>Age</u> | <u>Position(s)</u> |
|---------------------------------|------------|---|
| Mr. Lun Ruixiang (倫瑞祥) | 52 | Chairman and non-executive Director |
| Mr. Lun Zhao Ming (倫照明) | 55 | Executive Director and chief executive officer |
| Mr. Lau Kam Kwok Dickson (劉金國) | 53 | Executive Director, chief financial officer and company secretary |
| Mr. Lu Peijun (盧沛軍) | 47 | Executive Director |
| Ms. Chiu Lai Kuen Susanna (趙麗娟) | 60 | Independent non-executive Director |
| Mr. Hung Wan Shun Stephen (熊運信) | 60 | Independent non-executive Director |
| Ms. Lin Yanna (林燕娜) | 56 | Independent non-executive Director |

Senior Management

| <u>Name</u> | <u>Age</u> | <u>Position(s)</u> |
|------------------------|------------|-------------------------|
| Mr. Wang Bo (王波) | 50 | Chief operating officer |
| Mr. Chen Shaobin (陳少斌) | 52 | Vice president |
| Mr. Lin Shugen (林樹根) | 58 | Chairman assistant |
| Mr. Long Bo (龍波) | 56 | Chairman assistant |

DIRECTORS

Chairman and Non-Executive Director

Mr. Lun Ruixiang (倫瑞祥) (Mr. Lun RX), aged 52, 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 of the Board and a member of the remuneration committee of the Board. Mr. Lun RX is responsible for formulating the overall strategies, development and directions, as well as monitoring the operations and management of the Group. Mr. Lun RX founded our Group in 2004 and has over 15 years of experience in residential and commercial property development and business development. Mr. Lun RX has since January 1995 been engaging in the automobile industry in Dongguan.

Mr. Lun RX is a relative of Mr. Lun ZM, an executive Director and the chief executive officer of our Group.

Executive Directors

Mr. Lun Zhao Ming (倫照明) (Mr. Lun ZM), aged 55, is the chief executive officer of our Group. He was appointed as a Director and redesignated as our executive Director on March 25, 2019. Mr. Lun ZM first joined our Group in June 2005 as a chairman assistant and was primarily responsible for human

resources and administration affairs. He was promoted as our vice president in November 2009, during which time he was engaged on overseeing the daily operation of our Group as well as management affairs. Mr. Lun ZM was promoted as our senior vice president in January 2015, and was promoted as the chief executive officer of our Group in January 2018. In addition to monitoring our daily operation and management, he is also in charge of formulating our business strategies and directions.

Prior to joining our 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) ("Mayong Xinsha"), a company primarily engaged in industrial park development, from September 2003 to May 2005.

Mr. Lun ZM graduated from Sun Yat-Sen University in the PRC with a bachelor's degree in science in July 1984.

Mr. Lun ZM is a relative of Mr. Lun RX, our non-executive Director and chairman of our Board.

Mr. Lau Kam Kwok Dickson (劉金國), aged 53, has been the chief financial officer of Hai Feng Holdings Limited, an indirectly wholly owned subsidiary of the Company since February 2016 and has been appointed as a Director and redesignated as our executive Director since on March 25, 2019. Mr. Lau is primarily responsible for handling corporate governance and company secretarial matters, as well as overseeing the financial affairs of our Group. Mr. Lau has over 12 years of financial control experience in property development industry and has various experiences with listed groups: Mr. Lau worked at New Heritage Holdings Ltd (stock code: 95), focusing on property development and property investment business in the PRC since the early 80's, as the financial controller from October 2006 to April 2010; Soundwill Group (stock code: 878), a Hong Kong-based investment holding company principally engaged in property-related businesses, as the financial controller since May 2010 and promoted to and appointed as executive director in December 2011 until May 2013; and Wang On Group (stock code: 1222), a company engaged in property development business in Hong Kong, as their chief financial officer from June 2013 to November 2014.

Mr. Lau is admitted as a Certified Public Accountant in Hong Kong in July 2003 and became a fellow of the Hong Kong Institute of Certified Public Accountants in June 2010. Mr. Lau obtained a degree of Bachelor of Arts from City University of Hong Kong in Hong Kong (formerly known as City Polytechnic of Hong Kong) in November 1993.

Mr. Lu Peijun (盧沛軍), aged 47, joined our Group as the financial controller in March 2005 and became our vice president in May 2015. He was appointed as a Director and redesignated as an executive Director on March 25, 2019. Mr. Lu is mainly responsible for the management of the financial department and the legal department of our Company and assisting in monitoring project implementation and progress. He has more than 11 years of finance-related experience before joining our Group. He worked at Dongguan Branch of Guangdong Development Bank (廣東發展銀行) (currently 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 bachelor's degree in legal studies through online education in February 2005.

Independent Non-Executive Directors

Ms. Chiu Lai Kuen Susanna (趙麗娟), aged 60, was appointed as our independent non-executive Director on December 11, 2019. Ms. Chiu is also the chairlady of the audit committee of the Board.

Ms. Chiu has over 30 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 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 Li & Fung Development (China) Limited, which engaged in trading, distribution, logistics and retailing businesses. Since May 2019, she has been serving as an independent non-executive director of Kato (Hong Kong) Holdings Limited (stock code: 2189).

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" granted 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 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 60, was appointed as our 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 24 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 has been a member of the Council of the Law Society of Hong Kong (the "**Law Society**") since October 2003. 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 since July 2015 and the Duty Lawyer Service Council since February 2018. 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 since September 2013; and Sub-committee on Causing or Allowing the Death of a Child of the Law Reform Commission since February 2007 and Lump Sum Grant Steering Committee since April 2015.

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 56, was appointed as our independent non-executive Director on December 11, 2019. Ms. Lin is also the chairlady of the remuneration committee, and a member of audit committee and nomination committee of the Board.

Ms. Lin has over 18 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 Stone Capital 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 Stone Capital Co., Ltd, she was mainly responsible for overseeing private equity investment and managing assets of Shanghai Stone Capital 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 programme 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. Wang Bo (王波), aged 50, has been the chief operating officer of our Group since January 2018. Mr. Wang joined our Group as our executive vice president in October 2017. Mr. Wang is responsible for the overall implementation of projects, project progress and quality control and supervision of project progress and implementation. He has over nine years of experience in operation management in property development industry. Before joining our Group, he worked as the general vice president of Guangzhou Huahai Group (廣州華海集團), a property developer, from March 2015 to October 2017; the president assistant of Guangdong Nimble Investment Company Limited (廣東敏捷投資有限公司), which is a property development and property management company, from October 2012 to November 2013; vice president of Guangdong Chuang Hong Property Development Company Limited (廣東創鴻房地產開發有限公司) from October 2011 to November 2012; and the general manager of development department and project supervisor of Guangdong L'Sea Group Company Limited (廣東利海集團有限公司) from April 2010 to December 2011.

Mr. Wang graduated from Wuhan University of Technology in the PRC with a bachelor's degree in industrial and residential architecture engineering in June 1992.

Mr. Chen Shaobin (陳少斌), aged 52, is the vice president of our Group. He first joined as the deputy general manager of Real Estate Development Department in our Group in April 2004 and became our vice president in May 2016. Mr. Chen is responsible for assisting the Group's outreaching affairs.

Mr. Lin Shugen (林樹根), aged 58, is the chairman assistant of our Group. He has been with our Group since July 2003 and became our vice president in January 2018. He is mainly responsible for assisting in project financing related matters, and also a director of certain subsidiaries of the Company. Mr. Lin has over 25 years of experience in financing. Prior to joining our Group, Mr. Lin served client manager of Dongguan Houjie Branch of Agriculture Bank of China (中國農業銀行厚街支行) from March 1993 to July 2003.

Mr. Lin obtained a bachelor's degree in economic management from Hubei School of Planning and Management Department (湖北省計劃管理幹部學院) (currently known as Hubei University of Economics (湖北經濟學院)) in July 2002.

Mr. Long Bo (龍波), aged 56, is a chairman assistant of our Group. He is primarily responsible for the overall management of contract bidding and preparing and reviewing cost budgets and also a director of certain subsidiaries of the Company. He joined our Group in November 2010 as a general financing manager and was promoted to Chairman assistant in March 2015. Mr. Long has over 24 years of experience in project management and financing. Prior to serving our Group, he worked at Guangdong Guanyi Investment Group Limited (廣東冠益投資(集團)有限公司), an investment management company in the PRC, as a standing deputy general manager and financial controller from May 2003 to October 2010; Shenzhen Galaxy Securities Co., Ltd (深圳銀河證券股份有限公司) as a senior project manager from May 1998 to March 2003; and Shenzhen Nanyou (Holdings) Ltd. (深圳南油(集團)股份有限公司) as a manager at the financing department from May 1994 to May 1998.

Mr. Long graduated with a master's degree in business management from the Business School of Jilin University (吉林大學商學院) in July 2001. Before that, he obtained a bachelor's degree in business administration and management from Shanghai University of Finance and Economics (上海財經大學) in June 1984.

COMPANY SECRETARY

Mr. Lau Kam Kwok Dickson (劉金國) was appointed as the company secretary of our Company on March 25, 2019. For further information regarding Mr. Lau, please refer to the subsection headed "— Directors — Executive Directors" in this section.

BOARD COMMITTEES

Audit Committee

Our audit committee has three members, namely Mr. Hung Wan Shun Stephen, Ms. Lin and Ms. Chiu Lai Kuen Susanna, 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 recommendation to the Board on the appointment, reappointment and removal of the external auditor, reviewing our Group's financial information, overseeing our Group's financial reporting system, risk management and internal control systems.

Remuneration Committee

Our remuneration committee has three members, namely Mr. Lun RX, Mr. Hung Wan Shun Stephen and Ms. Lin. Ms. Lin 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 our Group's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy and on the remuneration packages of individual executive Directors and senior management.

Nomination Committee

Our nomination committee has three members, namely, Mr. Lun RX, Mr. Hung Wan Shun Stephen and Ms. Lin. Mr. Lun RX 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 our Company's corporate strategy.

SHARE OPTION SCHEMES

We adopted a share option scheme on April 6, 2019, pursuant to which selected participants may be granted options to subscribe for an aggregate of 79,500,000 shares for the purpose of providing incentives to eligible participants who contribute to the success of the Group's operation. As of December 31, 2019, there were outstanding options to subscribe for an aggregate of 79,500,000 Shares, which were granted to a total of 41 grantees, who are all our directors or current employees.

On December 11, 2019, we conditionally adopted a share option scheme, pursuant to which our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits, with maximum number of share of 525,400,000 shares, to selected participants, to encourage selected participants to work towards enhancing the value of our Company and its shares for the benefit of our Company and Shareholders as a whole. As of December 31, 2019, no such option has been granted or agreed to be granted.

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, 2019, our total borrowings amounted to RMB2,059.0 million. Subsequent to December 31, 2019, 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 Dongguan Rural Commercial Bank, China Construction Bank, Bank of China, and China Guangfa Bank, Huarong Xiangjiang Bank, Dongguan Trust Co., Ltd and Bohai International Trust Co., Ltd. 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 14 years, which generally correspond to the construction periods of the particular projects. As of December 31, 2019, the aggregate outstanding amount under these loans totaled approximately RMB2,059.0 million, of which RMB1,277.2 million was due within one year and RMB781.9 million was due over one year. Our PRC loans are typically secured by pledges of property, plant and equipment, investment properties, properties under development and completed properties held for sale as well as guaranteed by our controlling shareholders.

Interest

The principal amounts outstanding under the PRC loans generally 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, 2019, the weighted average interest rate on the aggregate outstanding amount of our PRC loans was 9.1% 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. Certain of our PRC loans are guaranteed by our controlling shareholders. Further, as of December 31, 2019, RMB3,111.2 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., Dongguan Daxi Real Estate Development Co., Ltd., Dongguan Huijing Jiaxin Real Estate Co., Ltd., Dongguan Zhengyun Industrial Investment Co., Ltd. and Dongguan Huijing Jianuo Real Estate 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 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.*"

DESCRIPTION OF THE NOTES

For purposes of this “Description of the 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 Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company that guarantees the 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 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 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 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 Notes

The 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 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 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 Notes will mature on August 5, 2021, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the “**Additional Notes**”), subject to certain limitations described under “—*Further Issues*.” Unless the context requires otherwise, references to the “**Notes**” for all purposes of the Indenture and this “**Description of the Notes**” include any Additional Notes that are actually issued. The Notes will 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 February 6, 2021 and August 5, 2021 (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 2.0% per annum in excess of the then applicable interest rate on the 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 Notes will be paid to Holders of record at the close of business on January 22, 2021 and July 21, 2021 (each, a “**Record Date**”), notwithstanding any transfer, exchange or cancellation thereof after a

Record Date and prior to the immediately following Interest Payment Date. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Note register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except December 25 and January 1. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under “*Optional Redemption*,” “*Redemption for Tax Reasons*” and otherwise provided in the Indenture, the 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 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 Notes shall accrue for the period after such date.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company, the Paying Agent or the Note Registrar (as defined herein) may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the 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 c/o 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong, and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the 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 Note register maintained by the Note Registrar. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The 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 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, Hai Feng International Holdings Limited (海丰国际控股有限公司), He Tai Land and Properties Holdings Limited, Heng Fu Grand Development Limited (恒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) and GREAT MISSION TRADING LIMITED.

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 Kam International Holdings Limited (滙錦國際控股有限公司), 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 Kam Holdings Limited and Hui Shing 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 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, 2019, the Company and its consolidated subsidiaries had total indebtedness of RMB2,059.0 million (US\$295.7 million), of which approximately RMB2,059.0 million (US\$295.7 million) was secured.

As of December 31, 2019, the Non-Guarantor Subsidiaries had total indebtedness of approximately RMB2,059.0 million (US\$295.7 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB2,331.2million (US\$334.8 million) and contingent liabilities of approximately RMB5,581.8 million (US\$801.6 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 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 limited to the JV Entitlement Amount and 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 be limited to the JV Entitlement Amount and 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 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 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 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 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 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 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 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 Notes), without any requirement to seek the consent or approval of the Holders of the 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 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 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 Notes having the same terms and conditions as the 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) (a “**Further Issue**”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional 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 August 5, 2021, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents will be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to August 5, 2021, the Company may redeem up to 35% of the aggregate principal amount of the 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 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 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 Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any 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 Notes are listed or the requirements of the clearing systems (including, without limitation, Euroclear and Clearstream), as applicable; or
- (2) if the 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 Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of 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 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 Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control under the 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 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 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 Notes. See "*Risk Factors — Risks Relating to the Notes — We may not be able, or may not be required, to repurchase the 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 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 Notes in the event of a takeover, recapitalization or similar transaction.

None of the Trustee and the Agents (as defined herein) 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 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 Notes Upon a Relevant Event

Not later than 30 days following a Relevant Event, the Company will make an Offer to Purchase all outstanding 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 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 Notes. In that case, the Company’s failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Relevant Event under the 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 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 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 Notes. See “*Risk Factors — Risks Relating to the Notes — We may not be able, or may not be required, to repurchase the Notes upon a Change of Control and/or a Relevant Event*”.

None of the Trustee and the Agents (as defined herein) 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 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 Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the 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 Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
 - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction or the jurisdiction through which payments are made, other than merely holding such 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 Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the 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 Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction or the jurisdiction through which payments are made, unless such Note could not have been presented for payment elsewhere;
 - (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
 - (c) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the 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 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 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), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "**Tax Redemption Date**") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment 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 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 Notes were then due.

Prior to the giving of any notice of redemption of the 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 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 (“**Permitted Indebtedness**”):
 - (a) Indebtedness under the Notes (excluding any Additional 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 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 Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the 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 Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the 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 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 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 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 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 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 (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 the first day of the fiscal quarter during which the Notes were originally issued 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 Original Issue Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a 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 Original Issue 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 Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the 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 Original Issue Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Original Issue 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 (B) 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 (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 2020 with respect to the fiscal year ended December 31, 2019 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.

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the 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 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 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 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 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 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 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 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 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 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 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 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 Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US\$1,000.

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 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 Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis based on the principal amount of 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 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 information memorandum (or in the case of Additional Notes, the offering document relating to the sale of such Additional 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 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 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 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 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 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 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 possible and in any event within 14 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the 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 Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any 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 Notes upon a Change of Control*”, “— *Repurchase of 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 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 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;
- (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 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 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 Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may, on behalf of the Holders of the 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 Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee (subject to being indemnified and/or secured and/or prefunded to its satisfaction) shall, upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction in advance of the proceedings.

However, the Trustee may refuse to follow any direction that conflicts with law or 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 Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written 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 Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note or 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 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 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 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 Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the 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 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, 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 Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the 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 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 Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not institutional “accredited investors” as defined in Rule 501 under the Securities Act, and (ii) Holders or beneficial owners of the 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 Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying 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 Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the 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 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 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 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 Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) (b) of the preceding paragraph 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 Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the 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 Notes may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the 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 Notes in accordance with the limitations set forth in the Indenture;

- (6) provide collateral, add additional collateral to secure the 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 Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the 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 Notes, and the Holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors with any provision of the Indenture or the 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 Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee (if any), as the case may be, except as provided in the Indenture;
- (8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (9) amend, change or modify 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 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 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 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 Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor in the Indenture, or in any of the 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 Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the 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 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 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 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 Notes will be represented by one or more global notes in registered form without interest coupons attached (the “**Global Note**”). On the Original Issue Date, the 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 (the “**book-entry interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— *Individual Definitive Notes*”, the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry

registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the 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 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 depositary 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 depositary 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 depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not

exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global 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 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 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 depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the 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 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 depositary or a Holder, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Note Registrar in sufficient quantities and authenticated by 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 Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the 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; (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The 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 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 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 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 August 5, 2021, 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 Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of the principal amount of such Notes on August 5, 2021, plus all required remaining scheduled interest payments due on such Note through August 5, 2021 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the 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 (ii) 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 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 August 5, 2021 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 August 5, 2021.

“**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 Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “*Limitation on Asset Sales*” and “*Repurchase of Notes upon a Change of Control*” 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 Notes as are required to be repurchased pursuant to the “*Limitation on Asset Sales*” and “*Repurchase of 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 Note is registered in the 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**”, “**Incurred**” and “**Incurrence**” 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”*.

“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.

“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;

- (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 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 Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “**Offer to Purchase Payment Date**”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

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 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 Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Paying Agent all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall as soon as reasonably practicable mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Note Registrar or an authenticating agent shall as soon as reasonably practicable authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of

US\$1,000. 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 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 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 any 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 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 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 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 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, 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 Original Issue 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 Original Issue Date under this clause of an obligation of any such Person,
 - (C) to the extent that an Investment made after the Original Issue Date under this clause 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 Original Issue 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 Original Issue 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 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 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 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 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 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 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 Notes pursuant to the Indenture and the Notes; *provided* that “Subsidiary Guarantor” will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the 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 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 Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this information memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

CAYMAN ISLANDS

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the 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 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 Notes, as the case may be, nor will gains derived from the disposal of the 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 Notes. An instrument of transfer in respect of a Note is stampable 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 Law. In accordance with the Tax Concessions Law, 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 Law.

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 Notes) or interest in respect of the Notes.

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

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Hong Kong).

PRC TAXATION

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this information memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains. 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 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 Beijing Dentons Law Offices, LLP (Shenzhen), our PRC legal counsel, 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 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 Notes —*

Interest payable by us to our foreign investors and gain on sale of our 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 Notes is maintained outside the PRC) of a Note.

NOTICE TO INVESTORS

Singapore

The information memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this information memorandum and any other documents or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or 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 Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

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

Hong Kong

- 1. The Notes may not be sold in Hong Kong by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- 2. No advertisement, invitation or document relating to the Notes may be issued or had in possession for the purposes 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 of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the U.S. 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 U.S. Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us:

1. You understand and acknowledge that:
 - (a) the Notes and the Subsidiary Guarantees have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws and the Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, registration under the U.S. Securities Act;
 - (b) the Notes are being offered in transactions that do not require registration under the U.S. Securities Act or any other applicable securities laws; and
 - (c) the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.
2. You represent that you are not an affiliate (as defined in Rule 144 under the U.S. Securities Act) of ours, and you are purchasing the Notes in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.
3. You acknowledge that neither we nor any person representing us has made any representation to you with respect to us or the offering of the Notes, other than the information contained in this information memorandum. You represent that you are relying only on this information memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act.
5. You acknowledge that we and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Notes is no longer accurate, you will promptly notify us. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Clifford Chance as to matters of United States federal and New York law and Hong Kong law, Beijing Dentons Law Offices, LLP (Shenzhen) as to matters of PRC law and Conyers Dill & Pearman as to matters of Cayman Islands law and as to matters of British Virgin Islands law. Certain legal matters will be passed upon for the Sole Placing Agent by Simmons & Simmons as to matters of United States federal and New York 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 Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a meeting of our board of directors held on July 31, 2020.

LITIGATION

Except as disclosed in this information memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes.

NO MATERIAL ADVERSE CHANGE

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, 2019 that is material in the context of the issue of the Notes.

LISTING

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the 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 information memorandum. The approval in-principle from, and admission of the Notes to the official list of, the SGX-ST is not to be taken as an indication of the merits of the Notes, the Company and its subsidiaries or the Group. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST. If and for so long as the 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 Notes may be presented or surrendered for payment or redemption, in the event that the global certificates of the Notes are exchanged for certificates in definitive form. In addition, in the event that any of the global certificates of the 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 Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified corporate trust office of the Trustee following prior written request and proof of holding and identity satisfactory to the Trustee.

For so long as any of the 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 Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Securities is set forth below:

| | <u>ISIN</u> | <u>Common Code</u> |
|-----------------|--------------|--------------------|
| The Notes | XS2211768473 | 221176847 |

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

REGISTERED OFFICE

| Registered Office | Place of Business in Hong Kong |
|---|---|
| Huijing Holdings Company Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands | Huijing Holdings Company Limited Unit 2403 - 2408, 24/F, Shui On Centre 6 - 8 Harbour Road Wanchai, Hong Kong |

TRUSTEE, PAYING AND TRANSFER AGENT AND REGISTRAR

China Construction Bank (Asia) Corporation Limited
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Central, Hong Kong

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as to British Virgin Islands law

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LEGAL ADVISORS TO THE TRUSTEE

as to U.S. law

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INDEPENDENT AUDITORS

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