

## STRICTLY CONFIDENTIAL – DO NOT FORWARD

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

**Confirmation of Your Representation:** You have accessed the attached document on the basis that you have confirmed your representation to Haitong International Securities Company Limited and Guotai Junan Securities (Hong Kong) Limited (the “**Dealer Managers**”) that (1) you are a beneficial owner of or are a custodian or intermediary acting on behalf of the beneficial owner of the Old Notes as defined in the attached exchange offer memorandum, (2) to the extent you participate in the exchange offers described in this document, you are or are acting for the account or benefit of a non-U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”)) outside the United States and you will be participating pursuant to Regulation S under the U.S. Securities Act, and (3) that you consent to delivery of the attached exchange offer memorandum and any amendments or supplements thereto by electronic transmission.

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

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

The attached document is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “**Financial Promotion Order**”), (ii) are persons falling within Article 49(2)(a) to (d) (“**high net worth companies, unincorporated associations etc.**”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**relevant persons**”). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

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 none of the Dealer Managers or any person who controls any of them or any of their respective directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

**THE OLD NOTES AND THE ADDITIONAL NEW NOTES (AS DEFINED IN THE ATTACHED EXCHANGE OFFER MEMORANDUM) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, 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 OR LOCAL SECURITIES LAWS.**

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

You are reminded that you have accessed the attached exchange offer memorandum on the basis that you are a person into whose possession such exchange offer memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver such exchange offer memorandum, electronically or otherwise, to any other person. 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.

**Actions That You May Not Take:** You should not reply by e-mail to this announcement, 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.

**YOU ARE NOT AUTHORIZED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED EXCHANGE OFFER MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH EXCHANGE OFFER MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED EXCHANGE OFFER MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

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## INVESTOR REPRESENTATIONS

By accessing the attached exchange offer memorandum, you are further deemed to have made the following representations, warranties, agreements, undertakings, confirmations and acknowledgements to the Haimen Zhongnan Investment Development (International) Co., Ltd. (the “**Issuer**”), Jiangsu Zhongnan Construction Group Co., Ltd. (the “**Company**” or the “**Parent Guarantor**”) and the Dealer Managers. For the purposes of the below, “you” means the Issuer, the Company and/or the Dealer Managers as the context may indicate, and “we” means such holder participating the Exchange Offers by submitting instructions and tendering the Old Notes for exchange pursuant to the Exchange Offers.

1. we have received and reviewed this exchange offer memorandum including the terms of the Additional New Notes set out herein;
2. we base our investment decision solely on the information published on or prior to the date of this exchange offer memorandum by the Company on the website of The Shenzhen Stock Exchange and its official website (the “**Public Disclosure**”) and not on any other information or representation concerning the Company which we may have received from the Company, the Dealer Managers or their respective representatives. We acknowledge that none of the Company, the Issuer, any of their affiliates or any other person has made any representations, express or implied, to us with respect to the Company, the Issuer, the Exchange Offers, the Additional New Notes or the accuracy, completeness or adequacy of any financial or other information concerning the Company, the Issuer, the Exchange Offers or the Additional New Notes. We agree that we will not distribute, forward, transfer or otherwise transmit any presentational or other materials concerning the Exchange Offers (including electronic copies thereof) to any person (other than any Eligible Holder on behalf of which we act), and we have not distributed, forwarded, transferred or otherwise transmitted any such materials to any person (other than any Eligible Holder on behalf of which we act);
3. we understand that the Exchange Offers involve a high degree of risk and that the Additional New Notes are complex products;
4. we are the beneficial owner (as defined below) of, or a duly authorized representative of one or more such beneficial owners of, the Old Notes tendered thereby;
5. we (i) have not received or been sent copies of this exchange offer memorandum or any related documents in, into or from the United States, (ii) are not a “U.S. person” and are not located in the United States, (iii) are not an agent, fiduciary or other intermediary acting on a nondiscretionary basis for a principal who has given instructions with respect of the Exchange Offers from within the United States or from a U.S. person, (iv) have not otherwise utilized in connection with the Exchange Offers, directly or indirectly, the mails, or any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, email and other forms of electronic transmission) of interstate or foreign commerce, or of any facilities of a national securities exchange, of the United States and (v) are offering to exchange the Old Notes from outside the United States;
6. we acknowledge that the Exchange Offers are subject to the restrictions set out in the section entitled “*Offer and Distribution Restrictions*” and “*Transfer Restrictions*”;
7. we acknowledge that the Additional New Notes to be exchanged for the Old Notes tendered for exchange hereby have not been registered under the Securities Act or with any state or other jurisdiction of the United States and may only be sold or otherwise transferred subject to the restrictions set out in the sections entitled “*Offer and Distribution Restrictions*” and “*Transfer Restrictions*”;
8. we are not resident and/or located in any Member State of EEA or United Kingdom or, if we are resident and/or located in any Member State of the EEA or United Kingdom, we are not a retail investor (as defined in this exchange offer memorandum) in the EEA or United Kingdom;
9. we are not located or resident in the United Kingdom or, if we are located or resident in the United Kingdom, we are a person falling within the definition of investment professionals (as defined in the Article 19(5) of the Financial Promotion Order) or within Article 49 of the Financial Promotion Order (the “high net worth companies, unincorporated associations etc.”), or to whom this exchange offer memorandum and any other documents or materials relation to the Exchange Offers may otherwise lawfully be communicated in accordance with the Financial Promotion Order;
10. we are not located or resident in Italy or, if we are located in Italy, we are an authorized person or is tendering Old Notes through an authorized person (such as an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 58 of 24 February 1998, as amended, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority;
11. we are not located or resident in France or, if we are located or resident in France, we are a (i) provider of investment services relating to portfolio management for the account of third parties (personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers) and/or (ii) qualified investor (investisseur qualifié), other than an individual, acting for its own account (all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French Code monétaire et financier);
12. we understand that the exchange offer memorandum has not been and will not be registered as a prospectus with the MAS under the SFA, and accordingly, the exchange offer memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Additional New Notes may not be circulated or distributed, nor may the Additional New Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), 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;
13. we are not located or resident in Hong Kong or, if we are located or resident in Hong Kong, we are a professional investor within the meaning of the SFO and any rules made thereunder;
14. we are not located or resident in the Cayman Islands or the British Virgin Islands;
15. we are not (i) a person that is, or is owned or controlled by a person that is, identified as a “specially designated national” or “blocked person” in the most current U.S. Treasury Department list of “Specially Designated National and Blocked Persons” or included in the U.S. Treasury Department’s Sectoral Sanctions Identifications List (which can be found at: <https://sanctionssearch.ofac.treas.gov/>), or in the European Union and UK Consolidated Lists of financial sanctions, or in the EU/UK list of persons subject to restrictive measures in view of Russia’s actions destabilizing the situation in Ukraine; or (ii) a person that is organized, resident or located in a country or territory subject to comprehensive/countrywide economic sanctions; (iii) a person that is otherwise the subject of, or in violation of, any sanctions under (x) the laws and regulations that have been officially published and are administered or enforced by the U.S. Government (including, without limitation, the Office of Foreign Assets Control of the U.S. Treasury Department or the U.S. Department of State), or any enabling legislation or executive order relating thereto; or (y) any equivalent sanctions or measures officially published and imposed by the European Union, any member state of the European Union, Her Majesty’s Treasury, the United Nations or any other relevant sanctions authority, including sanctions imposed against certain states, organizations and individuals under the European Union’s Common Foreign & Security Policy; or (iv) acting for or on behalf of any of the foregoing parties (a “**Sanctions Restricted Person**”);
16. the Old Notes being tendered thereby were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and we will acquire good, indefeasible and unencumbered title to such Old Notes, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same;

17. we will not sell, pledge, hypothecate or otherwise encumber or transfer any Old Notes tendered thereby and agree that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
18. in evaluating the Exchange Offers and in making its decision whether to participate therein by tendering its Old Notes, we as holder of the Old Notes have made our own independent evaluation of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to us by the Company and the Issuer other than those contained in this exchange offer memorandum (as amended or supplemented to the Exchange Expiration Deadline), the Dealer Managers, the Information and Exchange Agent or the Old Notes Trustee or the Old Notes Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them;
19. we acknowledge and agree that the Exchange Offers are an arm's length commercial arrangement between the Company, the Issuer and each Eligible Holder;
20. we (a) have consulted with our own legal, regulatory, tax, business, investment, financial and accounting advisers in connection herewith to the extent it has deemed necessary, (b) have had a reasonable opportunity to ask questions of and received answers from officers and representatives of the Company and the Issuer concerning the financial condition and results of operations of the Company and its subsidiaries (the "**Group**"), and any such question has been answered to its satisfaction, (c) have requested from the Company and the Issuer and reviewed all information that it believes is necessary or appropriate in connection with the Exchange Offers, and (d) have been and will continue to be solely responsible for making its own independent analysis of and investigations into the status, creditworthiness, prospects, business, operations, assets and condition of the Group;
21. we understand and agree that we may not rely on any investigation that any person acting on our behalf has conducted with respect to the Exchange Offers, the Additional New Notes, the Company and the Issuer or any of their respective affiliates, and no other party has made any representation to it, express or implied, with respect to the Exchange Offers, the Additional New Notes, the Company or the Issuer. Neither the Dealer Managers nor any of their associates or affiliates have made, and we have not relied upon, any written or oral communication, representation, warranty or condition (express or implied) about, and the Dealer Managers shall have no liability or responsibility for (a) the effectiveness, validity or enforceability of any agreement or other document entered into by or provided to it in connection with the Exchange Offers; (b) any non-performance by any party to any such documents; (c) the Exchange Offers or the Additional New Notes; or (d) the business, properties, prospects, condition (financial or otherwise) or results of operations of the Group, and the Dealer Managers do not owe and shall not owe any duty whatsoever in connection with any of the foregoing. Any information or explanations related to the terms and conditions of the Exchange Offers and the Additional New Notes does not constitute investment advice or a recommendation in respect of the Exchange Offers and is not considered or deemed to be an assurance or guarantee as to the expected performance of the Additional New Notes, the Company, the Issuer and each other member of the Group;
22. we acknowledge that the information provided with regard to the Company or the Issuer and the Additional New Notes has been prepared and supplied by the Company and the Issuer (whether or not it was conveyed by the Company and/or the Dealer Managers to it on the Company's behalf), and that no other party has verified such information or makes any representation or warranty as to its accuracy or completeness;
23. we are a sophisticated institutional investor and have such knowledge and experience in financial, business and international investment matters, and in particular in purchasing debt securities issued by PRC property companies, that, and we are capable of evaluating the merits and risks of the Exchange Offers, and we are aware that we may be required to bear, and is able to bear, the economic risk of an investment in the Additional New Notes, including the possibility that it may lose all or a substantial portion of its investment;
24. We acknowledge that certain of the information and materials provided by the Company and the Issuer, may be provided in the Chinese language, and we represent that we are capable of understanding and evaluating all such information;
25. we represent and acknowledge that (a) neither the Dealer Managers nor their affiliates have been requested to or have provided with any information or advice with respect to the Exchange Offers or the Additional New Notes nor is such information or advice necessary or desired; (b) neither the Dealer Managers nor their affiliates have made or makes any representation as to the Company, the Issuer, the Exchange Offers or the credit quality of the Additional New Notes; (c) the Dealer Managers and their affiliates may have acquired, or during the term of the Exchange Offers and/or the Additional New Notes may acquire, non-public information with respect to the Company and the Issuer, which we agree need not be provided to us; and (d) in connection with the Exchange Offers and the issuance of the Additional New Notes, neither the Dealer Managers nor their affiliates have acted as its financial advisor or fiduciary;
26. we are acquiring the Additional New Notes for our own account (or for the account of a person that is not a U.S. person as defined in Regulation S promulgated under the Securities Act as to which we exercise sole investment discretion and have authority to make these statements) for investment purposes, and not with a view to any resale or distribution thereof within the meaning of the U.S. securities laws;
27. if we are acting as a fiduciary or agent for one or more investor accounts, (a) we have investment discretion with respect to each such account and (b) we have full power and authority to make the representations, warranties, agreements and acknowledgements in this letter on behalf of each such account;
28. we acknowledge and agree that we did not become aware of the Exchange Offers through any form of general solicitation or advertising within the meaning of Rule 502 under the Securities Act or otherwise through a "public offering" under Section 4(a)(2) of the Securities Act or as a result of any directed selling efforts (as that term is defined in Regulation S) and we did not become aware of the Exchange Offers and were not otherwise solicited to enter into the Exchange Offers through solicitation of any party other than the Company and its respective affiliates;
29. the Exchange Offers are lawful under the securities laws of the jurisdiction in which it accept the exchange for the Additional New Notes;
30. we are not a nominee company (unless the name of the ultimate beneficiary has been disclosed);
31. the delivery of an electronic instruction to the relevant Clearing System shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with the Exchange Offers, in each case on and subject to the terms and conditions set out or referred to in this exchange offer memorandum;
32. the delivery of an electronic instruction to the relevant Clearing System shall constitute (subject to the terms and conditions of the Exchange Offers generally) the appointment of the Information and Exchange Agent as our attorney and agent, and an instruction to such attorney and agent (such appointment and instruction to be irrevocable) to complete and execute all or any form(s) of transfer and other document(s) at the discretion of such attorney and agent in relation to the Old Notes tendered thereby in favor of the Company, the Issuer or such other person or persons as the Company and the Issuer may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's discretion and/or the certificate(s) and other documents of title relating to such Old Notes' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Exchange Offers, and to vest in the Company, the Issuer or its nominees such Old Notes;
33. the terms and conditions of the Exchange Offers shall be deemed to be incorporated in, and form a part of, the electronic instruction, which shall be read and construed accordingly;

34. by delivering an electronic instruction with respect to its Old Notes through Euroclear or Clearstream, we consent to the disclosure by Euroclear or Clearstream of certain details concerning the direct participant's identity, the aggregate principal amount of such Old Notes and their account details to the Information and Exchange Agent;
35. we understand that the Additional New Notes and the applicable Additional Parent Guarantee have not been and will not be registered under the Securities Act or any state securities laws in the United States. We further understand that none of the Company, or the Issuer are registered, nor will they register, under the U.S. Investment Company Act of 1940, as amended (the "**U.S. Investment Company Act**") and investors will not be entitled to the benefits of such U.S. Investment Company Act. We understand that subject to certain exceptions, the Additional New Notes and the applicable Additional Parent Guarantee may not be offered or sold within the United States or to any national, resident or citizen of the United States;
36. we have not distributed or forwarded this exchange offer memorandum, or any part thereof, or any other documents or materials relating to the Exchange Offers to any person, and we have complied with all laws and regulations applicable to us for the purpose of its participation in the Exchange Offers; and
37. we understand that the foregoing representations, warranties, agreements undertakings, confirmations and acknowledgements are required in connection with United States and other securities laws and that you and your affiliates and others will rely upon the truth and accuracy of the foregoing representations, warranties, agreements, undertakings, confirmations and acknowledgements. These Investor Representations shall inure to the benefit of and be binding upon each Eligible Holder of the Old Notes and their respective successors and permitted assigns, and these Investor Representations shall be binding on its permitted successors in title, permitted assigns and permitted transferees. We confirms that, to the extent we are acting for the account of one or more persons, these Investor Representations constitute legal, valid and binding obligations and any other persons for whose account it is acting.

Each holder of the Old Notes that submits an electronic instruction will also be deemed to represent, warrant and agree with respect to the transfer restrictions as set forth under the sections entitled "*Offer and Distribution Restrictions*", "*Investor Representations*" and "*Transfer Restrictions*" in this exchange offer memorandum and sections entitle.

The representations and warranties and agreements of a holder tendering Old Notes shall be deemed to be repeated and reconfirmed on and as of the Exchange Expiration Deadline and the Settlement Date. For the purposes of this exchange offer memorandum, the "beneficial owner" of any Old Notes shall mean any holder that exercises sole investment discretion with respect to such Old Notes.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.  
If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent adviser (financial or otherwise).

**HAIMEN ZHONGNAN INVESTMENT DEVELOPMENT (INTERNATIONAL) CO., LTD.**  
(the “Issuer”)

(incorporated with limited liability in the British Virgin Islands)



**JIANGSU ZHONGNAN CONSTRUCTION GROUP CO., LTD.**

(江蘇中南建設集團股份有限公司)

(the “Company” or “Parent Guarantor”)

(incorporated with limited liability in the People’s Republic of China and listed on the Shenzhen Stock Exchange under stock code 000961)

Offer to Exchange Any and All of the Following Debt Securities (collectively, the “Old Notes”)

Description of Debt Securities	ISIN/Common Code	Outstanding Amount	Exchange Consideration per US\$1,000 of applicable Old Notes tendered and accepted for exchange
10.875% Guaranteed Senior Notes due 2022 (the “2019 Notes”)	XS2008677341/200867734	US\$18,090,000	Upfront Principal Payment (as defined herein) in cash, the Incentive Cash Consideration (as defined herein), US\$950 in aggregate principal amount of the Additional New Notes and Accrued Interest (as defined herein) in cash. See “Summary of the Exchange Offers – Exchange Consideration.”
12.00% Guaranteed Senior Notes due 2022 (the “2021 Notes”)	XS2349744594/234974459	US\$39,484,000	Upfront Principal Payment in cash, the Incentive Cash Consideration, US\$950 in aggregate principal amount of the Additional New Notes and Accrued Interest in cash. See “Summary of the Exchange Offers – Exchange Consideration.”

EACH OF THE EXCHANGE OFFERS (AS DEFINED HEREIN) WILL EXPIRE AT 4:00 P.M., LONDON TIME ON JULY 8, 2022, UNLESS EXTENDED OR EARLIER TERMINATED AT OUR SOLE DISCRETION (SUCH DATE AND TIME, IN RESPECT OF ANY OF THE EXCHANGE OFFERS AS THE SAME MAY BE EXTENDED, THE “EXCHANGE EXPIRATION DEADLINE”).

Upon the terms and subject to the conditions set forth in this exchange offer memorandum (the “exchange offer memorandum”), the Issuer and the Parent Guarantor (as the context may require, words of similar import, including “we”, “us”, or “our”), are offering to exchange (the “Exchange Offers”) any and all of each series of the Old Notes held by Eligible Holders (as defined herein) for the exchange consideration (the “Exchange Consideration”) for each US\$1,000 principal amount of the outstanding Old Notes that is validly tendered prior to the Exchange Expiration Deadline and accepted for exchange consisting of the following:

- (a) US\$50 principal payment in cash (the “Upfront Principal Payment”);
- (b) US\$10 in cash (the “Incentive Cash Consideration”)
- (c) US\$950 in aggregate principal amount of the Issuer’s US\$ denominated Guaranteed Senior Notes due 2023 (the “Additional New Notes”); and
- (d) Accrued Interest in cash (as defined below).

The Additional New Notes will be issued under the New Notes Indenture (as defined herein) governing the Issuer’s US\$157,012,200 12.00% Guaranteed Senior Notes due 2023 issued on June 6, 2022 (the “Original Issue Date”) (the “Original New Notes” and, together with the Additional New Notes, the “New Notes”). The Additional New Notes constitute the Additional Notes (as defined in the “Description of the New Notes” in this exchange offer memorandum), and are identical in all respects with the Original New Notes, other than with respect to the issue date, issue price, the timing, as elected by the Issuer and the Parent Guarantor, for compliance with post issue filing and the undertakings associated with the registration of the Parent Guarantee (as defined below) with Nantong branch of the SAFE (as defined herein). Upon the later occurrence of the SAFE Completion Event (as defined in the “Description of the New Notes” in this exchange offer memorandum) with respect to the Original New Notes and the Additional New Notes, the Additional New Notes will be consolidated and form a single series with, and will rank *pari passu* with the Original New Notes.

The Old Notes are unconditionally and irrevocably guaranteed by the Parent Guarantor. The Original New Notes are unconditionally and irrevocably guaranteed by the Parent Guarantor and the Additional New Notes will be unconditionally and irrevocably guaranteed by the Parent Guarantor. We refer to the guarantees by the Parent Guarantor in respect of the Original New Notes as the “Original Parent Guarantee” and the guarantees by the Parent Guarantor in respect of the Additional New Notes as the “Additional Parent Guarantee”, and together as the “Parent Guarantee”. The New Notes and the Parent Guarantee are herein collectively referred to as the “New Securities”.

The Additional New Notes will bear an interest rate of 12.00% per annum, payable in arrears on December 6, 2022 and June 5, 2023 and the interest on the Additional New Notes will accrue from (and including) the Original Issue Date. The New Notes will mature on June 5, 2023. See “Summary of the Additional New Notes.”

Accrued and unpaid interest on any Old Notes validly tendered by Eligible Holders prior to the Exchange Expiration Deadline and accepted for exchange, up to but excluding June 6, 2022, will be payable in cash (such accrued and unpaid interest in cash, the “Accrued Interest”) (rounded to the nearest US\$0.01, with US\$0.005 rounded upwards). We plan to use our own internal funds to pay such Accrued Interest. For further details, see the section entitled “Summary of the Exchange Offers – Accrued Interest.”

Instructions to exchange any of the Old Notes may only be submitted in a minimum principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof. Any Additional New Notes to be issued to any Eligible Holder in the Exchange Offers will be in a minimum principal amount of US\$150,000 and integral multiples of US\$1.0 in excess thereof. **Any tendering Eligible Holder must tender its entire holding of the Old Notes for exchange prior to the Exchange Expiration Deadline. We reserve our right not to accept any partial tender of the Old Notes by any Eligible Holders. Eligible Holders are responsible for ensuring that their instructions will result in the Additional New Notes they are entitled to receive being at least equal to the minimum principal amount of US\$150,000. Instructions that would result in a principal amount of Additional New Notes below US\$150,000 will be rejected.**

Terms used in this exchange offer memorandum that are not otherwise defined herein have the meanings set forth in the applicable indenture governing the Old Notes.

The Exchange Offers are subject to the conditions discussed under “The Exchange Offers – Conditions to the Exchange Offers.” Notwithstanding anything to the contrary contained in this exchange offer memorandum, we expressly reserve the right, at our sole discretion and regardless of whether any of those conditions have been satisfied, subject to applicable law, at any time to (i) terminate the Exchange Offers, in whole or in part, (ii) waive any of the conditions described herein in respect of the Exchange Offers, in whole or in part, (iii) extend the Exchange Expiration Deadline in respect of any of the Exchange Offers or the Settlement Date, (iv) amend the terms of the Exchange Offers, or (v) modify the form or amount of the consideration to be paid pursuant to the Exchange Offers.

Only direct participants in Euroclear Bank SA/NV (“Euroclear”) or Clearstream Banking S.A. (“Clearstream”) may submit instructions through Euroclear and Clearstream. If you are not a direct participant in Euroclear or Clearstream, you must contact your broker, dealer, bank, custodian, trust company or other nominee to arrange for its direct participant through which you hold the Old Notes to submit an instruction on your behalf to the relevant clearing system prior to the deadline specified by the relevant clearing system. Upon giving instructions with respect to any Old Notes, those Old Notes will be blocked and may not be transferred until the Settlement Date, or the Exchange Offers are terminated or withdrawn so as to result in a cancellation of such instructions, as applicable.

Instructions in connection with the Exchange Offers are irrevocable. Eligible Holders of Old Notes may not withdraw instructions at any time once delivered in accordance with the terms herein. You must contact your broker, dealer, bank, custodian, trust company or other nominee to arrange for its direct participant through which you hold the Old Notes to submit an instruction on your behalf to the relevant clearing system prior to the deadlines specified by the relevant clearing system, which may be earlier than the deadline specified in this exchange offer memorandum.

You should carefully consider all the information in this exchange offer memorandum, including, in particular, the “Risk Factors” section in this exchange offer memorandum before you make any decision regarding the Exchange Offers. For more information regarding the Additional New Notes, see the section entitled “Description of the New Notes”.

**YOU MUST MAKE YOUR OWN DECISION WITH RESPECT TO THE EXCHANGE OFFERS. NONE OF THE ISSUER, THE PARENT GUARANTOR, THE TRUSTEES, THE AGENTS, THE DEALER MANAGERS, THE INFORMATION AND EXCHANGE AGENT (EACH AS DEFINED HEREIN) OR ANY OTHER PERSON IS MAKING ANY RECOMMENDATION AS TO WHETHER OR NOT YOU SHOULD EXCHANGE YOUR OLD NOTES IN THE EXCHANGE OFFERS.**

The Original New Notes are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and application will be made to the SGX-ST for the listing of and quotation for the Additional New Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and the quotation of the Additional New Notes on, the SGX-ST are not to be taken as an indication of the merits of the Exchange Offers, Issuer, the Parent Guarantor or any of their respective subsidiaries or associated companies, the New Notes or the Parent Guarantee. The New Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in other currencies), for so long as the New Securities are listed on the SGX-ST and the rules of the SGX-ST so require.

The New Notes and the Parent Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the New Notes are being offered and sold only to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act.

The Additional New Notes will be evidenced by a temporary global note (the “Temporary Global Note”) issued under temporary ISIN and Common Code numbers, which is expected to be replaced by a permanent global note (the “Permanent Global Note”) with the same ISIN and Common Code numbers as the Original New Notes upon the later occurrence of the SAFE Completion Event with respect to the Original New Notes and the Additional New Notes. The Temporary Global Note and Permanent Global Note will be in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Permanent Global Note will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set forth herein, individual certificates for the Additional New Notes will not be issued in exchange for beneficial interests in the Permanent Global Note.

**The Dealer Managers**

Haitong International

Guotai Junan International

The date of this exchange offer memorandum is June 24, 2022

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

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

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



**This exchange offer memorandum is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129.**

**This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.**

**Singapore SFA Product Classification** In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”) the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the New Securities are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

We, having made all reasonable inquiries, confirm that this exchange offer memorandum: (i) contains all information which is material in the context of the Exchange Offers and the issue of the Additional New Notes and such information is true and accurate in all material respects; (ii) does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; (iii) contains opinions, predictions and intentions which are held in good faith, based on reasonable assumptions and are not misleading in any material respect; and (iv) we have made all reasonable enquiries to ascertain or verify the accuracy of all such information and statements. We accept responsibility accordingly.

No representation or warranty, express or implied, is made by Haitong International Securities Company Limited and Guotai Junan Securities (Hong Kong) Limited (the “**Dealer Managers**”), Citicorp International Limited (the “**Old Notes Trustee**” and the “**New Notes Trustee**”, and collectively, the “**Trustees**”), Citibank, N.A., London Branch (the “**Old Notes Agents**”, the “**New Notes Agents**” and collectively, the “**Agents**”) or D.F. King Ltd., being the information and exchange agent (the “**Information and Exchange Agent**”) or any of their respective affiliates, directors or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this exchange offer memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. None of the Dealer Managers, the Trustees, the Agents, the Information and Exchange Agent and any of their respective affiliates, directors or advisors has independently verified any of the information contained in this exchange offer memorandum. They can give no assurance that this information is accurate, truthful or complete, and, to the fullest extent permitted by law, none of them accepts any responsibility for the contents of this exchange offer memorandum. This exchange offer memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Parent Guarantor, the Dealer Managers, the Trustees, the Agents or the Information and Exchange Agent or any of their respective affiliates, directors or advisors as to whether Eligible Holders of the Old Notes should tender the Old Notes pursuant to the Exchange Offers.

Each person receiving this exchange offer memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Dealer Managers or any person affiliated with the Dealer Managers in connection with any investigation of the accuracy of such information or its decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Additional New Notes and the Additional Parent Guarantee (other than as contained herein and information given by our duly authorized officers and employees in connection with investors’ examination of our company and the terms of the Exchange Offers) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Dealer Managers.

**The New Notes and the Parent Guarantee have not been approved or disapproved of by the United States Securities and Exchange Commission (“SEC”), 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 Exchange Offers or the accuracy or adequacy of this exchange offer memorandum. Any representation to the contrary is a criminal offense in the United States.**

Neither us nor the Dealer Managers are making an offer to sell the Additional New Notes, including the Additional Parent Guarantee, in any jurisdiction except where an offer or sale is permitted. The distribution of this exchange offer memorandum and the Exchange Offers may in certain jurisdictions be restricted by law. Persons into whose possession this exchange offer memorandum comes are required by us and the Dealer Managers to inform themselves about and to observe any such restrictions. For a description of the restrictions on the offer and distribution of the Additional New Notes, including the Additional Parent Guarantee, and distribution of this exchange offer memorandum, see the section entitled “*Offer and Distribution Restrictions*” below.

This exchange offer 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 exchange offer memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the Exchange Offers, including the merits and risks involved. We are not making any representation to you regarding the legality of tendering the Old Notes pursuant to the Exchange Offers by you under any legal, investment, taxation or similar laws or regulations. You should not consider any information in this exchange offer memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding tendering the Old Notes pursuant to the Exchange Offers.

Whether or not the Exchange Offers are consummated, we expressly reserve the absolute right, at our sole discretion, from time to time to redeem or purchase any Old Notes through open market or privately negotiated transactions, one or more tender offers or additional exchange offers or otherwise, on terms that may differ from those of this exchange offer memorandum and could be for cash or other consideration, or to exercise any of our rights (including rights of redemption) under the indentures governing the Old Notes.



## OFFER AND DISTRIBUTION RESTRICTIONS

This exchange offer memorandum does not constitute an offer of securities for sale in any jurisdiction where it is unlawful to do so. The distribution of this exchange offer memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this exchange offer memorandum comes are required by each of us, the Trustees, the Agents, the Dealer Managers and the Information and Exchange Agent or any of their respective affiliates, directors or advisors to inform themselves about and to observe any such restrictions.

### United States

The Exchange Offers will only be made to Eligible Holders who are located outside the United States and hold the Old Notes through the Clearing Systems (as defined herein) or certain fiduciaries holding accounts for the benefit of persons outside the United States and holding the Old Notes through the relevant Clearing System.

The New Securities have not been, and will not be, registered under the Securities Act, or the securities laws of any state of the United States or other jurisdictions, and the New Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S of the Securities Act) outside the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable laws of any other jurisdiction.

### European Economic Area

This exchange offer memorandum has been prepared on the basis that any offer of the New Securities in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the New Securities. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129 (as amended or superseded).

This exchange offer memorandum is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

The New Securities may not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of 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 PRIIPs Regulation for offering or selling the New Securities making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Securities making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Each person in a Member State of the EEA who receives any communication in respect of, or who acquires any the New Securities under, the offers to the public contemplated in this exchange offer memorandum, or to whom the New Securities are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with the Dealer Managers and the Issuer that it and any person on whose behalf it acquires the New Securities is not a “retail investor” (as defined above).

### United Kingdom

This exchange offer memorandum has been prepared on the basis that any offer of securities in the United Kingdom (“UK”) will be made pursuant to an exemption under the FSMA from the requirement to publish a prospectus for offers of securities. The expression FSMA means the Financial Services and Markets Act 2000 (as amended). The Issuer has not authorized the making of any offer of notes in circumstances in which an obligation arises for the Issuer to publish a prospectus for such offer. The Issuer has not authorized the making of any offer of the Additional New Notes through any financial intermediary, which constitute the final placement of the Additional New Notes contemplated in this exchange offer memorandum.

This exchange offer memorandum is for distribution only to persons who (i) fall within Article 43(2)(b) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended), the “**Financial**

**Promotion Order**”), (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotion Order, (iii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc”) of the Financial Promotion Order, (iv) are outside the United Kingdom, or (v) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (as amended, the “FSMA”)) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This exchange offer memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this exchange offer memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

## **Hong Kong**

This exchange offer memorandum has not been and will not be registered with the Registrar of Companies in Hong Kong. Accordingly, except as mentioned below, this exchange offer memorandum may not be issued, circulated or distributed in Hong Kong. A copy of this exchange offer memorandum may, however, be issued to a limited number of prospective applicants for the Exchange Offers or the New Securities in Hong Kong (i) in a manner which does not constitute an offer to the public in Hong Kong or an issue, circulation or distribution in Hong Kong of a prospectus for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

No advertisement, invitation or document relating to the Exchange Offers or the New Securities may be issued or may be in the possession of any person other than with respect to the New Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

## **Japan**

The Exchange Offers and the New Securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended; the “FIEA”) and may not be offered or sold directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **Singapore**

This exchange offer memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, this exchange offer memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Securities may not be circulated or distributed, nor may the New Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the New Securities 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 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 Securities pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

**Singapore SFA Product Classification** – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”) the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the New Securities are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

#### **The PRC**

No New Securities shall be offered or sold in the PRC (excluding Hong Kong, Macau and Taiwan), directly or indirectly, except in compliance with applicable laws and regulations.

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This exchange offer memorandum is prepared using a number of conventions, which you should consider when reading the information contained herein.

In this exchange offer memorandum, references to “we”, “us”, “our,” and words of similar import, and “the Company,” “the Parent Guarantor” and “the Group” are to Jiangsu Zhongnan Construction Group Co., Ltd. (江蘇中南建設集團股份有限公司) itself, or to Jiangsu Zhongnan Construction Group Co., Ltd. together with its consolidated subsidiaries, or to its predecessors, as the context requires. References to “the Issuer” are to Haimen Zhongnan Investment Development (International) Co., Ltd., a BVI business company incorporated with limited liability in the BVI.

Market data, industry forecast and PRC and relevant industry statistics in this exchange offer memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe these sources to be reliable, neither the sources nor the information extracted from any of those sources has been independently verified by us, the Dealer Managers, the Trustees, the Agents nor ours or their respective directors, officers or advisors, and neither we, the Dealer Managers, the Trustees, the Agents nor ours or their respective directors, officers 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 different collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and PRC and relevant industry statistics.

We prepare and publish our consolidated financial statements in Renminbi. Unless otherwise stated in this exchange offer memorandum, all translations from Renminbi to U.S. dollars and from Hong Kong dollars to U.S. dollars have been made at the rates of RMB6.3726 to US\$1.00 and HK\$7.7996 to US\$1.00, respectively, the noon buying rate in effect on December 30, 2021 set forth in the H.10 statistical release of the Federal Reserve Board. All such translations in this exchange offer memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or Hong Kong dollar amounts, as the case may be, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “*Exchange Rate Information*.”

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

References to “U.S. dollars,” “US\$” or “U.S.\$” are to United States dollars, the official currency of the United States of America (the “**United States**” or “**U.S.**”). References to “Renminbi” or “RMB” are to Renminbi, the official currency of the People’s Republic of China (“**China**” or the “**PRC**”). References to “Hong Kong dollars” or “HK\$” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”).

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

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

Unless the context otherwise requires, references to “2019”, “2020” and “2021” in this exchange offer memorandum are to the years ended December 31, 2019, 2020 and 2021, respectively.

## FORWARD-LOOKING STATEMENTS

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

- our business and operating strategies;
- our capital expenditure and acquisition plans;
- the nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- future developments in and the performance of the property and construction markets in Jiangsu Province and other areas of the PRC;
- the regulatory environment of our industry in general, including but not limited to the interpretation and implementation of the existing rules and regulations and its future changes in enactment, interpretation or enforcement;
- 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, particularly government policies affecting land supply, availability and cost of financing, constructions qualifications, and pre-sale, pricing and volume of our property development projects;
- changes in competitive conditions of the property development industry and construction industry in China and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction contracts;
- changes in currency exchange rates;
- proper legal titles or approvals for our properties under development or held for future development; and
- other factors beyond our control.

In some cases, you can identify forward-looking statements by such terminology as “may,” “will,” “should,” “could,” “would,” “expect,” “intend,” “plan,” “anticipate,” “going forward,” “ought to,” “seek,” “project,” “forecast,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not a guarantee of future performance and may not materialize or may change. Although we believe that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance 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 “Risk Factors” in this exchange offer memorandum. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this exchange offer memorandum, whether as a result of new information, future events or otherwise after the date of this exchange offer memorandum. All forward-looking statements contained in this exchange offer memorandum are qualified by reference to the cautionary statements set forth in this section.

## ENFORCEMENT OF CIVIL LIABILITIES

We are a joint stock company incorporated in the PRC with limited liability. The Issuer is a BVI business company incorporated with limited liability in the BVI. The PRC and the BVI have different bodies of securities laws from the United States and protections for investors may differ.

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

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

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

We have been advised by our BVI legal counsel, Walkers (Hong Kong) that any final and conclusive judgment obtained against the Issuer in the New York state or United States federal court sitting in the Borough of Manhattan in the City of New York (the "**Foreign Court**"), for a liquidated sum, may be treated by the courts of the BVI as a cause of action in itself so that no retrial of the issues would be necessary provided that in respect of the foreign judgment:

- (a) the judgment had not been wholly satisfied;
- (b) the Foreign Court issuing the judgment had jurisdiction in the matter and the Issuer either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;
- (c) the judgment given by the Foreign Court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of the Issuer;
- (d) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the court;
- (e) recognition or enforcement of the judgment in the BVI would not be contrary to public policy or for some other similar reason the judgment could not have been entertained by the courts;
- (f) the proceedings pursuant to which judgment was obtained were not contrary to natural justice; and
- (g) applicable rules of BVI law permit service out on the debtor in question.

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



## **DOCUMENTS INCORPORATED BY REFERENCE**

The information listed below is deemed to be incorporated in to, and form part of, this exchange offer memorandum:

- Grant Thornton's audit report dated April 25, 2022 and the Parent Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2021 (together with the notes thereto) included in the exchange offer and consent memorandum dated May 24, 2022 published by the Issuer on the website of the SGX-ST (<http://www.sgx.com>); and
- Grant Thornton's audit report dated April 25, 2021 and the Parent Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2020 (together with the notes thereto) included in the exchange offer and consent memorandum dated May 24, 2022 published by the Issuer on the website of the SGX-ST (<http://www.sgx.com>).

## GLOSSARY OF TECHNICAL TERMS

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

“certificate of completion”..	a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities, or an equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection
“commodity properties” .....	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion
“concrete” .....	a composite material composed mainly of water, construction aggregate, and cement
“construction land planning permit” .....	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
“construction permit” .....	a construction works commencement permit(建築工程施工許可證) issued by local construction committees or equivalent authorities in China
“construction works planning permit” .....	a construction works planning permit (建築工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China
“contract value” .....	final negotiated or proposed price of a contract before tax
“EPC” .....	engineering, procurement and construction
“GFA” .....	gross floor area
“land grant confirmation agreement” .....	(國有土地使用權成交確認書) a confirmation given by a PRC land authority that a property developer has won the bid for the land use rights of a parcel of land in the government-organized land bidding, auction or listing-for-sale process
“land grant contract” .....	(國有土地使用權出讓合同) an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land use rights of a parcel of land to such property developer
“land grant or transfer document” .....	a land grant contract, land grant confirmation agreement or land use rights transfer agreement
“land use rights certificate”..	a state-owned land use rights certificate (國有土地使用證) or real property ownership certificate (不動產權證) issued by a local real estate and land resources bureau with respect to the land use rights
“land use rights transfer agreement” .....	(國有土地使用權轉讓合同) an agreement in respect of the transfer of the land use rights of a parcel of land by the previous grantee of the land use rights in the secondary market
“LAT” .....	land appreciation tax (土地增值稅)
“output value” .....	the gross value of construction works performed by construction companies on their own and is calculated by reference to the project progress
“PPP” .....	public-private partnership, a partner relationship based on a concession agreement and formed between the government and private organizations for co-

	construction of infrastructure projects or providing certain public goods and services
“pre-sale” .....	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations
“property ownership certificate” .....	a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land
“R&D” .....	research and development
“sq.m.” or “sq. m.” .....	square meter

## SUMMARY

*This summary does not contain all the information that may be important to you in deciding to invest in the Additional New Notes. You should read the entire exchange offer memorandum, including “Risk Factors,” “Description of the New Notes,” and the Group’s consolidated financial statements and the related notes, before making an investment decision.*

### BACKGROUND AND PURPOSE OF THE EXCHANGE OFFERS

#### The Exchange Offers

Since the latter half of 2021, Chinese property developers have increasingly faced difficulties in accessing onshore capital as a result of reduced bank lending for real estate development. Reduced bank lending for mortgage finance for buyers, combined with buyers’ concerns about the ability of property developers to complete projects, has also adversely affected property sales. To exacerbate the situation, use of pre-sale proceeds is restricted under applicable PRC laws. Negative reaction to these onshore events by offshore capital markets has eventually curtailed our funding sources to address our debt maturities. In 2022, the property sector in China continues to experience volatility. The abovementioned reduced bank lending for real estate development activities, compounded by certain negative credit events, have further intensified market concerns over the operations of Chinese property developers. This has ultimately led to a general decrease in pre-sales by Chinese property developers. Against the backdrop of such adverse market conditions, we began to experience short-term liquidity pressure due to limited access to external capital to refinance our existing indebtedness. As such, our existing internal resources were insufficient to address our debt maturities in June 2022, including the repayment of the two series of Old Notes in full on June 8, 2022 and June 18, 2022, respectively.

We anticipate that the Chinese real estate sector will remain under significant pressure for the rest of 2022, and therefore, in the absence of a sharp recovery in market sentiment and willingness to extend financing, we remain cautious about our liquidity in the near term. We, therefore, are working on generating sufficient cash flow to meet our financial commitments, and as part of these efforts, we are conducting the Exchange Offers, as described in this exchange offer memorandum.

If the Exchange Offers are not successfully consummated, we are not likely to be in a position to fully repay the remaining non-exchanging Old Notes and may consider alternative debt restructuring exercises. For a more detailed discussion, please see “*Risk Factors – Our financial performance and business operations have been and may continue to be adversely affected and we may not be able to address our indebtedness or other obligations.*”

### OVERVIEW

We are a leading property developer and one of the top private construction companies in China. Rooted in the building construction industry with more than 30 years’ experience, we are the sole private construction company in China that holds both the Premium-class Housing Construction EPC Qualification and the Grade-A Construction Engineering Design Qualification. These top class construction qualifications have been granted to only four construction companies in China by the MOHURD. Moreover, we were ranked 193rd among the 2021 “Top 250 International Contractors” by Engineering News Record (the “ENR”) in terms of overall business performance as measured by multiple parameters such as operating income, profits and value of newly-signed contracts. Our ranking in the ENR has surpassed a number of large-scale state-owned construction companies and most private constructors in China. Leveraging our strengths in the construction industry and to capitalize on the property industry in China, we expanded into property development industry in 2005. We have developed into a leading and an integrated property developer and building constructor after years of strategic growth. In recognition of our business success and outstanding performance in China’s property development sector, we were ranked 16th among the 2021 Top 20 China Real Estate Developers and fifth among the 2021 Top 10 Real Estate Enterprises in Commercial Property Operation in China by the China Real Estate Association (中國房地產業協會) and China Real Estate Appraisal Centre of Shanghai E-house China R&D Institute (上海易居房地產研究院中國房地產測評中心). We were also ranked 18th among the 2019 Top 100 Real Estate Enterprises in China by research institutes under the State Council and Tsinghua University.

We have built a proven track record of success and have engaged in the construction of a large number of landmark projects in China and overseas, such as Beijing Olympic (Bird’s Nest) Stadium, National Theatre, Terminal 3 of Beijing Capital Airport, a government office building in The Republic of Togo and a large-scale property development project in Algeria. Many projects undertaken by us have received high market recognition and prestigious awards in China for their construction quality, safety and innovative construction techniques, such

as the Lu Ban Award for China Construction Engineering (中國建築工程魯班獎), being the most prestigious award given by the MOHURD for construction quality excellence, and the National High Quality Project Award (國家優質工程獎), which is the highest honor for construction quality awarded by the National Engineering Construction Quality Award Evaluation Committee (國家工程建設質量獎評審委員會) in China. We were ranked eighth among Top 500 Construction Enterprises in China in 2017 by The China Construction Enterprises Management Association (中國建築企業管理協會), being the highest ranked construction company based in Jiangsu Province. We also became the first listed construction company in Jiangsu Province in 2008.

As of the date of this exchange offer memorandum, we have undertaken construction projects in 25 provinces, municipalities and autonomous regions in China, covering more than 100 cities. As of December 31, 2021, we have expanded our building construction business into nine overseas countries. We are mainly engaged in property construction and construction of public facilities. As of December 31, 2021, we had completed 390 property construction projects and 167 public facilities construction projects. We also had 172 property construction projects and 48 public facilities construction projects under construction as of the same date.

Underpinned by our industry experience and top qualifications in the building construction sector and success of our integrated business development strategy, we have become one of the leading property developers in China by tapping into rapid growth of its property industry over the past decades. Our brand name enjoys high recognition in Jiangsu Province and we have maintained high market share in the Yantze River Delta Region. Leveraging our success in Jiangsu Province, we have further expanded our business into other strategically targeted cities such as Beijing, Shanghai, Nantong and Suzhou. A majority of our property development projects are residential in nature. We also engage in the development of commercial properties and public facilities properties as well as tourism properties and characteristic towns. Among the award-winning properties developed by us include Zhongnan Shopping Center (中南城購物中心), which was awarded “Company with Best Growth Potential in China” and Young Park which was awarded “China Best Innovative and Experience Commercial Property” by Commercial Real Estate Association (全聯房地產商會商業地產研究會) in 2017. We also benefit from our low-cost land acquisition strategy that enables us to maintain high profit margin in our property development business.

As of December 31, 2021, we had a total of 503 property development projects in China under different development stages, with a total completed GFA of approximately 50,419.7 thousand sq. m. and an aggregate GFA of approximately 22,438.4 thousand sq. m. remaining unsold. The annual contract sales of our property development business had reached RMB197.4 billion in 2021, representing a decrease of approximately 11.8% as compared to 2020. Moreover, our strategically located quality land reserves also provide us with high growth potential. As of December 31, 2021, we had land reserves of approximately 41,348.9 thousand sq. m. in terms of total GFA under development and held for future development, covering 86 cities in China, among which approximately 66.3% are located in tier-1 and tier-2 cities. The following table sets forth the geographical distribution of our property development projects in China in terms of GFA completed, GFA under development and GFA held for future development as of December 31, 2021:

<b>Region/Provinces and Municipalities</b>	<b>Total GFA Completed (10,000 sq. m.)</b>	<b>Total GFA under Development (10,000 sq. m.)</b>	<b>Total GFA Held for Future Development (10,000 sq. m.)</b>
<b>Bohai Economic Rim Region</b>	<b>945.98</b>	<b>458.04</b>	<b>158.63</b>
Beijing	—	—	12.87
Hebei	51.41	72.33	22.44
Liaoning	107.13	24.68	8.45
Shandong	763.01	360.74	114.87
Tianjin	24.43	0.30	—
<b>Yangtze River Delta Region</b>	<b>3,184.82</b>	<b>1,579.17</b>	<b>343.81</b>
Anhui	67.86	66.57	26.49
Jiangsu	2,603.65	980.72	227.41
Shanghai	47.71	4.03	—
Zhejiang	465.60	527.85	89.91
<b>Central and Western China</b>	<b>643.85</b>	<b>673.13</b>	<b>492.76</b>
Chongqing	71.00	59.06	28.19
Guizhou	13.69	81.43	27.49
Henan	53.30	112.72	34.75

<b>Region/Provinces and Municipalities</b>	<b>Total GFA Completed (10,000 sq. m.)</b>	<b>Total GFA under Development (10,000 sq. m.)</b>	<b>Total GFA Held for Future Development (10,000 sq. m.)</b>
Hubei.....	138.96	14.35	18.36
Hunan.....	16.74	35.05	5.15
Shaanxi.....	53.36	206.52	48.48
Sichuan.....	196.01	15.40	36.44
Xinjiang.....	—	73.87	76.90
Yunnan.....	100.79	71.48	175.60
Gansu.....	—	3.25	41.39
<b>Pearl River Delta</b> .....	<b>267.32</b>	<b>264.04</b>	<b>165.31</b>
Fujian.....	46.63	85.95	5.08
Guangdong.....	59.36	93.69	46.32
Hainan.....	125.73	10.37	43.39
Guangxi.....	35.60	74.03	70.52
<b>Total</b> .....	<b>5,041.97</b>	<b>2,974.38</b>	<b>1,160.51</b>

Leveraging our strengths in the property and construction industries in China, we have expanded into other business lines including hotel operations and property management. As of December 31, 2021, we had 37 hotels in operation, 30 of which are directly operated by us and the remaining seven are entrusted to third parties. Our Jinshi Boutique Hotel was awarded “Most Valuable Boutique Hotel Brand in China” in 2016. We also generate rental income through leasing of the nine shopping malls held by us with a total rentable area of approximately 351.1 thousand sq. m. and an occupancy rate of 92.1% as of December 31, 2021.

By virtue of our business success, we have achieved rapid development in recent years. For the years ended December 31, 2019, 2020 and 2021, our total operating income was RMB71,830.8 million, RMB78,600.8 million and RMB79,210.5 million (US\$12,429.9 million), respectively. For the years ended December 31, 2019 and 2020, our net profit was RMB4,622.6 million and RMB7,804.1 million, respectively, and for the year ended December 31, 2021, we recorded a net loss of RMB3,305.6 million (US\$518.7 million). As of December 31, 2021, we had total assets of RMB367,976.5 million (US\$57,743.5 million).

## RECENT DEVELOPMENTS

### Downgrade of our Credit Rating by Golden Credit Rating International Co., Ltd. (東方金誠國際信用評估有限公司) (“Golden Credit Rating”)

On February 24, 2022, Golden Credit Rating announced the downgrade of our credit rating from AA+ to AA. According to the announcement, Golden Credit Rating downgraded our credit rating due to the following incidents: (i) there was an expected decline in the Group’s results of operations in 2021; (ii) the Group faced concentrated redemption pressure from its onshore and offshore indebtedness due within one year; and (iii) a number of our subsidiaries were included in the continuous default list as of January 31, 2022.

### Unaudited Quarterly Results for the Three Months Ended March 31, 2022

We are a listed company on the Shenzhen Stock Exchange (the “SZSE”) and therefore are subject to applicable disclosure requirement of a listed company. We also from time to time issue corporate bonds in the domestic capital markets in the PRC. According to applicable PRC listing rules and securities regulations on debt capital markets, we are required to publish our quarterly, semi-annual and annual financial information and certain preliminary operating results to satisfy our continuing disclosure obligations. These preliminary financial information and operating results are normally derived from our management accounts which have not been audited or reviewed by independent auditors and do not provide the same quality of information associated with financial information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations.

On April 30, 2022, we published our first quarterly report in 2022 (the “2022 First Quarterly Report”) with preliminary operating results for the three months ended March 31, 2022 on the SZSE. Our consolidated financial statements as of and for the three months ended March 31, 2022 included therein (the “2022 Quarterly Financial Statements”) have not been audited or reviewed by any independent auditor and may be subject to further adjustments. Such financial information should not be relied upon by investors to provide the same quality



of information associated with information that has been subject to an audit or a review. Such unaudited and unreviewed assessment should not be taken as an indication of our business, financial condition or results of operation expected for this period and potential investors should not rely on such quarterly financial information to evaluate our financial condition and results of operation for this period or the full year ending December 31, 2022. For the avoidance of doubt, the 2022 Quarterly Financial Statements are not incorporated by reference herein and do not constitute part of this exchange offer memorandum.

For the three months ended March 31, 2022, we recorded a significant decrease in total operating income, which was primarily attributable to a decrease in our property development projects proceeded to settlement as compared to the same period in 2021. In line with a decrease in total operating income, we also recorded a decrease in operating cost as compared to the same period in 2021. As a result of the foregoing, our operating profit and net profit for the three months ended March 31, 2022 also recorded a significant decrease as compared to the same period in 2021. As of March 31, 2022, our total assets and total liabilities remained at a relatively stable level as compared to the balances as of December 31, 2021.

None of the Dealer Managers, the Trustees, the Agents, the Information and Exchange Agent or any person who controls any of them or any of their respective directors, officers or advisors makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to, us or our business, financial condition or results of operation.

According to the 2022 First Quarterly Report, we recorded aggregate contract sales of approximately RMB16.3 billion from our property development segment for the three months ended March 31, 2022, representing a decrease of approximately 66.3% as compared to the same period in 2021. The decrease was mainly attributable to unfavourable general market conditions in the real estate sector. With respect to our construction segment for the three months ended March 31, 2022, which has also been adversely affected by the unfavourable general market conditions, the estimated total contract value of our newly undertaken construction projects was approximately RMB1.0 billion, representing a decrease of approximately 89.5% as compared to the same period in 2021. The published preliminary operating results for the three months ended March 31, 2022 have not been audited or reviewed by our auditor.

#### **Downgrade of our Credit Rating by Moody's Investors Service, Inc. ("Moody's")**

On April 29, 2022, Moody's downgraded the long-term corporate credit rating of the Company to "B3" from "B2", and downgraded the senior unsecured rating on the U.S. dollar denominated notes issued by Issuer and guaranteed by the Company to "Caa1" from "B3", reflecting the Company's weakening liquidity and credit metrics, with the outlook for both the Issuer and the Company remaining negative.

#### **Strategic Cooperation Agreement for Business Transformation and Development**

On May 9, 2022, we published an announcement on the SZSE that our controlling shareholder, Zhongnan Holdings Group Co., Ltd. (中南控股集團有限公司), had entered into a strategic cooperation agreement with China Huarong Asset Management Co., Ltd. Jiangsu Branch (中國華融資產管理股份有限公司江蘇省分公司), Nantong Affordable Housing Construction Investment Co., Ltd. (南通市保障房建設投資有限公司), Nantong Industry Holding Group Co., Ltd. (南通產業控股集團有限公司) and Jiangsu Haisheng Holding Group Co., Ltd. (江蘇海晟控股集團有限公司) (the "**Strategic Cooperation Agreement**"). The Strategic Cooperation Agreement is aimed at, inter alia, supporting our business transformation and development. Pursuant to the Strategic Cooperation Agreement, we expect to receive support for our operation to facilitate, among other things, resumption of production in relation to our construction projects under construction, merger and acquisition of premium projects and revitalization of our PPP projects.

#### **Downgrade and Withdrawal of our Credit Rating by S&P Global Ratings ("S&P")**

On May 10, 2022, S&P downgraded the long-term issuer credit rating of the Company to "CCC+" from "B-", and downgraded the long-term issue rating on the U.S. dollar denominated notes guaranteed by the Company to CCC from CCC+, reflecting the Company's weakening liquidity profile and perceived difficulty in reducing its debts. Following the downgrade, S&P withdrew the credit rating of the Company at the Company's request.

#### **Sale of Subsidiary to Related Party**

We plan to sell all of our equity interest in our wholly-owned subsidiary, Nantong Jinshi Garden Hotel Co., Ltd. (南通金石世苑酒店有限公司), which is primarily engaged in hotel management, to a related party which

is owned as to 99.9% by our director and general manager, Ms. Chen Yuhua, for a consideration of approximately RMB333.2 million (the “**Subsidiary Sale**”). The Subsidiary Sale is expected to allow us to focus on our main business as well as to provide safeguard to our business operation, and has been approved by both our independent directors on May 5, 2022 and our board of directors on May 11, 2022. The Subsidiary Sale is currently pending approval by our shareholders. Following the Subsidiary Sale, Nantong Jinshi Garden Hotel Co., Ltd. will no longer be consolidated into our Group.

#### **Redemption of Onshore Debt Securities at Maturity**

On May 11, 2022, we fully redeemed our domestic corporate bonds titled “17 Zhongnan 01” (17 中南 01) in an aggregate outstanding principal amount of RMB1 million. 17 Zhongnan 01 was issued on December 14, 2017, with a tenor of five years. On May 11, 2022, we fully redeemed our domestic corporate bonds titled “20 Zhongnan 01” (20 中南 01) in an aggregate outstanding principal amount of RMB1,919,000. 20 Zhongnan 01 was issued on March 6, 2020, with a tenor of four years.

#### **Completion of the Exchange Offers Relating to the Old Notes and the Consent Solicitation Relating to the 11.50% Guaranteed Senior Notes due 2024 (the “2024 Notes”)**

From May 24, 2022 to June 2, 2022, we conducted exchange offers for the Old Notes. A total of US\$165,276,000 principal amount of Old Notes were validly tendered for exchange and accepted by us. Upon cancellation of these Old Notes, the remaining outstanding principal amounts of the 2019 Notes and the 2021 Notes are US\$18,090,000 and US\$39,484,000 respectively. In exchange of the validly tendered and accepted Old Notes, we have issued US\$157,012,200 principal amount of the Original New Notes pursuant to the exchange offers. The Original New Notes were listed on the SGX-ST on June 7, 2022.

Concurrently with the Exchange Offers, we solicited (the “**Consent Solicitation**”) the consents from registered holders of a majority of the outstanding aggregate principal amount of the 2024 Notes as of May 24, 2022 (the “**2024 Notes Requisite Consents**”) to amend certain terms of the indenture governing the 2024 Notes (the “**2024 Notes Indenture**”). The Consent Solicitation expired at 4:00 p.m., Hong Kong time, on June 2, 2022. As of the expiration deadline of the Consent Solicitation, the 2024 Notes Requisite Consents in respect of the 2024 Notes had been obtained. As of the same date, the supplemental indenture to the 2024 Notes Indenture giving effect to certain amendments to the 2024 Notes Indenture was executed and became effective and binding on all holders of the 2024 Notes.

#### **Maturity and Delisting of the Old Notes**

The 2021 Notes matured on June 8, 2022 and the 2019 Notes matured on June 18, 2022. The 2021 Notes and the 2019 Notes were delisted from The Stock Exchange of Hong Kong Limited (the “**HKSE**”) upon their maturity, respectively.

## SUMMARY OF THE EXCHANGE OFFERS

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

The material terms of the Exchange Offers are summarized below. In addition, we urge you to read the detailed descriptions in the section of this exchange offer memorandum titled “*Description of the Exchange Offers*.”

Issuer .....	Haimen Zhongnan Investment Development (International) Co., Ltd.
Company (or Parent Guarantor) .....	Jiangsu Zhongnan Construction Group Co., Ltd (江蘇中南建設集團股份有限公司)
Old Notes .....	(i) 10.875% Guaranteed Senior Notes due 2022 (ISIN: XS2008677341, Common Code: 200867734) (the “ <b>2019 Notes</b> ”) and (ii) 12.00% Guaranteed Senior Notes due 2022 (ISIN: XS2349744594, Common Code: 234974459) (the “ <b>2021 Notes</b> ”)
Additional New Notes .....	Guaranteed Senior Notes due 2023 with an interest rate of 12.00% per annum.

The Additional New Notes will be issued under the New Notes Indenture (as defined herein) governing the Issuer’s US\$157,012,200 12.00% Guaranteed Senior Notes due 2023 issued on June 6, 2022 (the “**Original New Notes**” and, together with the Additional New Notes, the “**New Notes**”). The Additional New Notes constitute Additional Notes (as defined in the “*Description of the New Notes*” in this exchange offer memorandum), and are identical in all respects with the Original New Notes, other than with respect to the issue date, issue price, the timing, as elected by the Issuer and the Parent Guarantor, for compliance with post issue filing and the undertakings associated with the registration of the Parent Guarantee with Nantong branch of the SAFE. Upon the later occurrence of the SAFE Completion Event (as defined in the “*Description of the New Notes*” in this exchange offer memorandum) with respect to the Original New Notes and the Additional New Notes, the Additional New Notes will be consolidated and form a single series with, and will rank *pari passu* with the Original New Notes.

Tenor and Interest Rate of the Additional New Notes .....	The Additional New Notes will bear an interest rate of 12.00% per annum, payable in arrears on December 6, 2022 and June 5, 2023. The interest on the Additional New Notes will accrue from (and including) the Original Issue Date. The Additional New Notes will mature on June 5, 2023.
The Exchange Offers .....	Upon the terms and subject to the conditions set forth in this exchange offer memorandum, we are offering to exchange any and all of each series of our outstanding Old Notes for the Exchange Consideration.

As of the date of this exchange offer memorandum, US\$18,090,000 in aggregate principal amount of our 2019 Notes is outstanding.

As of the date of this exchange offer memorandum, US\$39,484,000 in aggregate principal amount of our 2021 Notes is outstanding.

Eligible Holders of the Old Notes validly accepted and exchanged in the Exchange Offers will, from and including the Settlement Date, waive any and all rights with respect to the Old Notes (other than the right to receive the Exchange Consideration) and will release and discharge us from any and all claims such Eligible Holders may have, now or in the future, arising out of or related to such Old Notes, including any and all accrued and unpaid interest thereon.

Purpose of the Exchange Offers .....	The purpose of the Exchange Offers is to manage the maturity size and extend the maturity profile of our existing senior notes, improve our liquidity and cash position, and replace the remaining Old Notes with the Additional New Notes. See “ <i>Summary – Background and Purpose of the Exchange Offers.</i> ”
Exchange Consideration.....	<p>For each US\$1,000 principal amount of the Old Notes that are validly tendered on or prior to the Exchange Expiration Deadline and accepted for exchange, an Eligible Holder of such Old Notes will receive the Exchange Consideration consisting of:</p> <ul style="list-style-type: none"> <li>(a) US\$50 principal payment in cash, also referred to as the Upfront Principal Payment;</li> <li>(b) US\$10 in cash, also referred to as the Incentive Cash Consideration;</li> <li>(c) US\$950 in aggregate principal amount of the Additional New Notes;</li> <li>(d) Accrued Interest in cash (rounded to the nearest US\$0.01, with US\$0.005 rounded upwards); and</li> <li>(e) subject to the requirement that any Additional New Notes issued to any Eligible Holder be in a minimum principal amount of US\$150,000 and integral multiples of US\$1.0 in excess thereof, in the event that such Eligible Holder is entitled to receive any Additional New Notes in a principal amount that is not an integral multiple of US\$1.0, cash (rounded to the nearest US\$0.01, with US\$0.005 rounded upwards) in lieu of any fractional amount of the Additional New Notes equal to the principal amount of the Additional New Notes not issued (after rounding downward the amount of the Additional New Notes to the nearest multiple of US\$1.0).</li> </ul>
Accrued Interest .....	The 2019 Notes bear interest at the rate of 10.875% per annum and the 2021 Notes bear interest at the rate of 12.00% per annum. Accrued and unpaid interest on the Old Notes validly tendered prior to the Exchange Expiration Deadline and accepted for exchange, up to but excluding June 6, 2022, will be payable in cash as part of the Exchange Consideration.
Certain Differences between the Old Notes and the New Notes.....	<p>There are substantial differences between the Old Notes and the New Notes, including (but not limited to) the following:</p> <ul style="list-style-type: none"> <li>• the 2019 Notes matured on June 18, 2022 and the 2021 Notes matured on June 8, 2022, while the New Notes will mature on June 5, 2023;</li> </ul>

- prior to giving effect to the Exchange Offers, the respective aggregate principal amounts outstanding of the 2019 Notes and the 2021 Notes are US\$18,090,000 and US\$39,484,000, while the aggregate principal amount outstanding of the New Notes shall depend on the aggregate principal amount of the Old Notes exchanged for Additional New Notes in the Exchange Offers and consolidation and forming single series with the Original New Notes upon the later occurrence of the SAFE Completion Event (as defined in the “*Description of the New Notes*” in this exchange offer memorandum) with respect to the Original New Notes and the Additional New Notes;
- the 2019 Notes and the 2021 Notes bear interest rates of 10.875% and 12.00% per annum, respectively. The New Notes will bear an interest rate of 12.00% per annum;
- unlike the Old Notes, the Original New Notes are and the Additional New Notes will be, issued in denominations of US\$150,000 of principal amount and integral multiples of US\$1.0 in excess thereof;
- unlike the Old Notes, certain major terms of the New Notes Indenture may be modified, amended or waived with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes at the time of the consent;
- unlike the Old Notes, 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 New Notes Indenture or the New Notes, the Parent Guarantor and any Restricted Subsidiary may exclude, among others, holders or beneficial owners of the New Notes that are located in the United States or “U.S. Persons” as defined in Regulation S under the Securities Act;
- under the New Notes Indenture, the Issuer will give an undertaking to use its best commercial efforts to extend the maturity of certain existing indebtedness as they fall due and on terms which are no more favorable in any material respect than the terms of the Exchange Offers; and
- unlike the Old Notes, the events of default provisions under the New Notes carve out any of the Old Notes under the cross-default events, certain final judgments and orders and insolvency proceedings.

For further details, see “*Description of the New Notes.*”

Minimum Denominations of New  
Notes .....

The Original New Notes are and the Additional New Notes will be, issued to any Eligible Holders in minimum denominations of US\$150,000 and integral multiples of US\$1.0 in excess thereof.

Exchange Expiration Deadline .....

With respect to each of the Exchange Offers, 4:00 p.m., London time, on July 8, 2022, unless extended or earlier terminated in our sole discretion.

Settlement Date .....	We anticipate that the Settlement Date will occur on or about July 12, 2022, unless the Exchange Offers are extended or earlier terminated.
Exchange Website .....	<a href="https://sites.dfkingltd.com/zhongnan">https://sites.dfkingltd.com/zhongnan</a> , the website set up by the Information and Exchange Agent for the purposes of hosting the documents relating to the Exchange Offers.
Eligible Holders.....	<p>The Exchange Offers will only be made to, and the Additional New Notes and the Additional Parent Guarantee are being offered and will be issued only to, eligible holders who are holders of the Old Notes who are not U.S. persons (as defined in Regulation S under the Securities Act), are located or resident outside the United States and are not Sanctions Restricted Persons (as defined below) (the “<b>Eligible Holders</b>”).</p> <p>By giving Instructions, Eligible Holders will be deemed to make a series of representations, warranties and undertakings, which are set out in “<i>Description of the Exchange Offers – Representations, Warranties and Covenants of Eligible Holders.</i>”</p> <p><b>Only Eligible Holders who have, or on whose behalf their brokers, dealers, custodians, trust companies or other nominees have, completed the procedures described in, and required by, this exchange offer memorandum are eligible to participate in the Exchange Offers.</b></p> <p>For a description of restrictions on resale or transfer of the Additional New Notes, see “<i>Transfer Restrictions.</i>”</p>
Sanctions Restricted Person .....	<p>Each person or entity:</p> <p>(a) that is, or is owned or controlled by a person that is, described or designated as a “specially designated national” or “blocked person” in the most current U.S. Treasury Department list of “Specially Designated National and Blocked Persons” (which can be found at: <a href="http://sdnsearch.ofac.treas.gov/">http://sdnsearch.ofac.treas.gov/</a>); or</p> <p>(b) currently subject to, or in violation of, any sanctions under the laws and regulations that have been officially published and are administered or enforced by any Sanctions Authority or any enabling legislation or executive order relating thereto.</p>
Conditions to the Exchange Offers .....	<p>Our obligation to consummate the Exchange Offers, unless waived or modified by us at our discretion, is conditional upon the following:</p> <ul style="list-style-type: none"> <li>• there being no material adverse change in the market from the date of this exchange offer memorandum to the Settlement Date;</li> <li>• an affirmative determination by us that accepting the exchanges, paying the Exchange Consideration and effecting the transactions contemplated hereby are in our best interests; and</li> <li>• the satisfaction of the other conditions described in “<i>Description of the Exchange Offers – Conditions to the Exchange Offers – Exchange General Conditions.</i>”</li> </ul>



We may terminate, extend or withdraw any of the Exchange Offers at any time if any of the conditions are not satisfied, extended or waived by the Settlement Date. We may also extend the Exchange Offers from time to time until the conditions are satisfied or waived. We reserve the right to amend, modify or waive, at any time, the terms and conditions of the Exchange Offers, subject to applicable law. We will give you notice of any amendments, modifications or waivers as and if required by applicable law.

Procedures for Tendering Old  
Notes .....

To participate in the Exchange Offers, an Eligible Holder must validly tender its Old Notes for exchange pursuant to the Exchange Offers on or prior to the Exchange Expiration Deadline according to the procedures described herein.

If you are an Eligible Holder holding the Old Notes through Euroclear and Clearstream or through a fiduciary holding account and you wish to participate in the Exchange Offers, you must tender your Old Notes pursuant to the procedures described herein by way of an electronic instruction, which must be submitted or delivered through the relevant Clearing System by each Eligible Holder who is shown in the records of such Clearing System as a holder of an interest in the Old Notes, authorizing delivery of your tender to exchange the Old Notes that are the subject of such electronic instruction (the “**Instruction**”) .

A separate Instruction must be submitted on behalf of each beneficial owner of the Old Notes wishing to participate in the Exchange Offers.

No guaranteed delivery procedures are being offered in connection with the Exchange Offers. You must tender your Old Notes for exchange on or prior to the Exchange Expiration Deadline in order to participate and receive the Exchange Consideration.

Only direct participants in Euroclear or Clearstream may submit Instructions to Euroclear or Clearstream. If you are not a direct participant in Euroclear or Clearstream, you must contact your broker, dealer, bank, custodian, trust company or other nominee to arrange for its direct participant through which you hold the Old to submit an Instruction on your behalf to the relevant Clearing System prior to the deadline specified by the relevant Clearing System.

Any tendering Eligible Holder must tender its entire holding of the Old Notes for exchange. We reserve our right not to accept any partial tender of the Old Notes by any Eligible Holder.

Any Instructions must be given with respect to Old Notes in a minimum principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

Upon giving Instructions with respect to any Old Notes, those Old Notes will be blocked and may not be transferred until the Exchange Offers are settled, modified or terminated so as to result in a cancellation of such Instructions.

**PLEASE NOTE: THE EXCHANGE OFFERS ARE AVAILABLE ONLY TO INVESTORS WHO ARE NOT U.S. PERSONS (WITHIN THE MEANING OF REGULATION S)**

**AND ARE OUTSIDE THE UNITED STATES. U.S. PERSONS (AS DEFINED IN REGULATIONS) AND PERSONS LOCATED IN THE UNITED STATES ARE NOT PERMITTED TO TENDER OLD NOTES IN THE EXCHANGE OFFERS.**

Minimum Aggregate Principal Amount of the Old Notes to be Tendered .....	The Old Notes being tendered for exchange may only be submitted in a minimum principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof. Eligible Holders are responsible for ensuring that their Instructions will result in the Additional New Notes they are entitled to receive being at least equal to the minimum principal amount of US\$150,000. Instructions that would result in a principal amount of Additional New Notes below US\$150,000 will be rejected.
Withdrawal and Revocation .....	Instructions in connection with the Exchange Offers are irrevocable, unless withdrawal thereof is required by applicable law.
Acceptance of Tenders; Delivery of Exchange Consideration .....	Subject to the terms and conditions described herein, we will accept Instructions that are validly tendered on or prior to the Exchange Expiration Deadline. Upon our determination that the conditions to the Exchange Offers have been satisfied, participants in the Exchange Offers who validly gave Instructions, and which Instructions are accepted by us, will receive the Exchange Consideration on the Settlement Date.
Extensions, Amendments and Terminations .....	<p>To the extent that it is legally permitted so to do, we expressly reserve our absolute right to (i) waive any condition described under “<i>Description of the Exchange Offers – Conditions to the Exchange Offers</i>”; (ii) amend any of the terms of the Exchange Offers; and (iii) modify the Exchange Consideration offered.</p> <p>Any amendment to any of the Exchange Offers will apply to all Old Notes of the relevant series that have been tendered, regardless of when and in what order such Old Notes were tendered. If we make a material change in the terms of the Exchange Offers, we will disseminate additional offer materials or, if appropriate, issue a press release setting forth such changes, and will extend the Exchange Offers as we consider appropriate. We have the right, in our sole discretion, to extend the Exchange Expiration Deadline in respect of any of the Exchange Offers and/or the Settlement Date.</p> <p>Additionally, we expressly reserve the right, in our absolute discretion, to terminate the Exchange Offers at any time if the conditions to the Exchange Offers are not met prior to the Settlement Date.</p> <p>In the event that the Exchange Offers are terminated, withdrawn or otherwise not consummated prior to the Settlement Date, no consideration will be paid or become payable and no New Notes will be issued or become issuable to Eligible Holders who have validly tendered their Old Notes pursuant to the Exchange Offers. In any such event, the Old Notes previously tendered pursuant to the Exchange Offers will be promptly returned to the tendering Eligible Holders.</p>
Consequences of Failure to Exchange Old Notes.....	For a description of the consequences of failing to exchange your Old Notes, see “ <i>Risk Factors</i> ” and “ <i>Description of the Exchange</i> ”

*Offers – Certain Consequences to Eligible Holders Not Participating in the Exchange Offers.”*

Future actions in relation to the Old Notes .....	We expressly reserve the absolute right, in our sole discretion, from time to time to redeem or purchase any Old Notes that remain outstanding after the Exchange Expiration Deadline in respect of any of the Exchange Offers through open market or privately negotiated transactions, one or more tender offers or additional exchange offers or otherwise, on terms that may differ from those of this exchange offer memorandum and could be for cash or other consideration, or to exercise any of our rights (including rights of redemption) under the indentures governing the Old Notes.
Brokerage Commissions.....	No brokerage commissions are payable by Eligible Holders of the Old Notes to us, the Dealer Managers or the Information and Exchange Agent.
Dealer Managers.....	Haitong International Securities Company Limited and Guotai Junan Securities (Hong Kong) Limited.
Information and Exchange Agent....	D.F. King Ltd. has been appointed as the Information and Exchange Agent. You can find the address and telephone number for the Information and Exchange Agent on the back cover of this exchange offer memorandum.
Trustees .....	Citicorp International Limited is the trustee for each of the Old Notes (the “ <b>Old Notes Trustee</b> ”).  Citicorp International Limited will act as the trustee of the New Notes (the “ <b>New Notes Trustee</b> ” and together with the Old Notes Trustee, the “ <b>Trustees</b> ”).
Agents.....	Citibank, N.A., London Branch is the paying and transfer agent and the registrar for each of the Old Notes (the “ <b>Old Notes Agents</b> ”).  Citibank, N.A., London Branch is the paying and transfer agent and the registrar for the New Notes (the “ <b>New Notes Agents</b> ” and together with the Old Notes Agents, the “ <b>Agents</b> ”).
Clearing Systems .....	Euroclear and/or Clearstream (each a “ <b>Clearing System</b> ”).
Use of Proceeds .....	We will not receive any cash proceeds from the Exchange Offers.
Further Information .....	Questions about the terms of the Exchange Offers should be directed to the Dealer Managers as appropriate.  If you have questions regarding tender or offer procedures, please contact the Information and Exchange Agent.  Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee for assistance concerning the Exchange Offers.  All documents related to the Exchange Offers, including any updates and announcements, will be made available, subject to eligibility, on the Exchange Website.

## SUMMARY OF THE ADDITIONAL NEW NOTES

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

Company.....	Haimen Zhongnan Investment Development (International) Co., Ltd.
The Parent Guarantor.....	Jiangsu Zhongnan Construction Group Co., Ltd. (江蘇中南建設集團股份有限公司)
Additional New Notes Offered.....	<p>12.00% senior notes due 2023 (the “<b>Additional New Notes</b>”). The aggregate principal amount of the Additional New Notes shall depend on the aggregate principal amount of the Old Notes accepted for exchange for Additional New Notes in the Exchange Offers.</p> <p>The Additional New Notes will be issued under the New Notes Indenture (as defined herein) governing the Issuer’s US\$157,012,200 12.00% Guaranteed Senior Notes due 2023 issued on June 6, 2022 (the “<b>Original New Notes</b>” and, together with the Additional New Notes, the “<b>New Notes</b>”). The Additional New Notes constitute Additional Notes (as defined in the “<i>Description of the New Notes</i>” in this exchange offer memorandum), and are identical in all respects with the Original New Notes, other than with respect to the issue date, issue price, the timing, as elected by the Issuer and the Parent Guarantor, for compliance with post issue filing and the undertakings associated with the registration of the Parent Guarantee with Nantong branch of the SAFE. Upon the later occurrence of the SAFE Completion Event (as defined in the “<i>Description of the New Notes</i>” in this exchange offer memorandum) with respect to the Original New Notes and the Additional New Notes, the Additional New Notes will be consolidated and form a single series with, and will rank <i>pari passu</i> with the Original New Notes.</p>
Original Issue Date.....	June 6, 2022
Additional New Notes Issue Date.....	The Additional New Notes will be issued on the Settlement Date.
Maturity Date.....	The New Notes will mature on June 5, 2023.
Interest.....	The New Notes will bear interest from and including the Original Issue Date at the rate of 12.00% per annum, payable in arrears. The interest on the Additional New Notes will accrue from (and including) the Original Issue Date.
Interest Payment Dates.....	December 6, 2022 and June 5, 2023.
Ranking of the New Notes.....	<p>The New Notes are:</p> <ul style="list-style-type: none"> <li>• general obligations of the Company;</li> <li>• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the New Notes;</li> <li>• at least <i>pari passu</i> in right of payment with all other unsecured, unsubordinated obligations of the Company;</li> <li>• guaranteed by the Parent Guarantor on a senior basis, subject to the limitations described under “<i>Description of the New Notes – The Parent Guarantee</i>” and in “<i>Risk Factors – Risks Relating to the New Notes and the Parent Guarantee</i>” of this exchange offer memorandum;</li> </ul>

- effectively subordinated to the secured obligations (if any) of the Company and the Parent Guarantor, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Parent Guarantor's Subsidiaries (other than the Company).

The New Notes will mature on June 5, 2023, unless earlier redeemed pursuant to the terms thereof and the indenture governing the New Notes (the "**New Notes Indenture**"). The New Notes Indenture allows additional New Notes to be issued from time to time (the "**Additional Notes**"), subject to certain limitations described under "*Description of the New Notes – Further Issues*". Unless the context requires otherwise, references to the "New Notes" for all purposes of the New Notes Indenture and the "*Description of the New Notes*" include any Additional Notes that are actually issued.

Parent Guarantee..... The Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the New Notes.

Ranking of the Parent Guarantee..... The Parent Guarantee is:

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

Optional Redemption of the New Notes..... At any time prior to the maturity of the New Notes, the Company may at its option redeem the New Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the New Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in "*Description of the New Notes – Optional Redemption*".

At any time and from time to time prior to June 5, 2023, the Company may redeem up to 35% of the aggregate principal amount of the New Notes with the Net Cash Proceeds of one or more sales of the Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 112.00% of the principal amount of the New Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the New Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Repurchase of New Notes Upon a SAFE Noncompliance Event... Upon completion by the Parent Guarantor of registration of the Parent Guarantee for the New Notes with the Nantong Branch, the Parent Guarantor will be required to deliver an Officer's Certificate in a form set forth in the New Notes Indenture attaching a copy of the relevant certificate of registration from the Nantong Branch and certifying that such copy is true and correct (such

registration and delivery of an Officer's Certificate attaching the Nantong Branch certificate referred to collectively as the "**SAFE Completion Event**"). If, on the date that is 180 Nantong Business Days after the Original Issue Date, the SAFE Completion Event shall not have occurred (such non-occurrence, a "**SAFE Noncompliance Event**"), the Company will be required to make an offer to repurchase all of the New Notes at a price in cash equal to 100% of the principal amount of the New Notes offered for repurchase, plus accrued and unpaid interest on the principal amount of the New Notes being repurchased to but excluding the date of repurchase. See "*Description of the New Notes – Repurchase upon a SAFE Noncompliance Event.*"

Repurchase of New Notes Upon a Change of Control Triggering Event.....	Not later than 30 days following a Change of Control Triggering Event, the Company or the Parent Guarantor will make an Offer to Purchase all outstanding New Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date. See " <i>Description of the New Notes – Repurchase of New Notes Upon a Change of Control Triggering Event.</i> "
Redemption for Taxation Reasons.....	The New Notes may be redeemed, at the option of the Company or a Surviving Person, as a whole but not in part, at any time upon giving not less than 30 days' nor more than 60 days' notice to the holders and the New Notes Trustee (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption upon the occurrence of certain changes in applicable tax law. See " <i>Description of the New Notes – Redemption for Taxation Reasons.</i> "
Open Market Purchase.....	The Company or the Parent Guarantor may purchase the New Notes in the open market or by tender or by any other means at any price, so long as such acquisition does not otherwise violate the terms of the New Notes Indenture; provided that all New Notes redeemed or repurchased by the Company or the Parent Guarantor may not be reissued or resold.
Covenants.....	<p>The New Notes, the New Notes Indenture governing the New Notes and the Parent Guarantee will limit the ability of the Parent Guarantor and its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> <li>• incur or guarantee additional indebtedness and issue disqualified stock;</li> <li>• declare or pay any dividends on its capital stock, purchase, call for redemption or redeem or retire its capital stock;</li> <li>• make any Investment, other than a Permitted Investment;</li> <li>• enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, pay indebtedness, make loans or sell, lease or transfer assets;</li> <li>• issue or sell capital stock of Restricted Subsidiaries;</li> <li>• enter into transactions with shareholders and affiliates;</li> <li>• create liens;</li> <li>• enter into sale and leaseback transactions;</li> <li>• sell assets; and</li> <li>• engage in business other than Permitted Businesses.</li> </ul>



The New Notes, the New Notes Indenture governing the New Notes and the Parent Guarantee will limit the Company's business activities.

These covenants are subject to a number of important qualifications and exceptions described in "*Description of the New Notes – Certain Covenants*".

Carve-out to Events of Default.....

The events of default provisions under the New Notes carve out any of the Old Notes under the cross-default events, certain final judgments and orders and insolvency proceedings. See "*Description of the New Notes – Events of Default*" and "*Risk Factors – Risks Relating to the New Notes – The events of default provision under the New Notes carves out any of the Excluded Indebtedness under the cross-default events, certain final judgments and orders and insolvency proceedings.*"

Amendments and Waiver of the New Notes Indenture.....

Certain major terms of the New Notes Indenture may be modified, amended or waived with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes at the time of the consent, including, among others,

- the change of the Stated Maturity of the principal of, or any installment of interest on, any New Note,
- the reduction of the principal amount of, or premium, if any, or interest on, any New Note,
- the change of the place, currency or time of payment of principal of, or premium, if any, or interest on, any New Note,
- waive of a default in the payment of principal of, premium, if any, or interest on the New Notes,
- reduction of the percentage or aggregate principal amount of outstanding New Notes the consent of whose holders is necessary for waiver of compliance with certain provisions of the New Notes Indenture or for waiver of certain defaults,
- amendments to, change of or modification of the Parent Guarantee in a manner that adversely affects the holders of the New Notes,
- amendments to certain provisions regarding Change of Control Offer, SAFE Noncompliance Offer, Offer to Purchase with the Excess Proceeds from an Asset Sale,
- change of the redemption date or the redemption price of the New Notes under "*Description of the New Notes – Optional Redemption*" or "*Description of the New Notes – Redemption for Taxation Reasons*", as applicable, or
- amendments to, change of or modification of the obligation of the Company or the Parent Guarantor to pay Additional Amounts.

See "*Description of the New Notes – Amendments and Waiver – Amendments With Consent of Holders*" and "*Risk Factors – Risks Relating to the New Notes – Certain major terms of the New Notes Indenture may be modified, amended or waived with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes, which may adversely affect the interest of the holders of the New Notes and increase the credit risks of the New Notes*".

Transfer Restrictions.....

The Additional New Notes will not be registered under the Securities Act or under any state securities laws of the United States.

Form, Denomination and Registration.....	The Additional New Notes will be issued only in fully registered form, without coupons, in denominations of US\$150,000 of principal amount and integral multiples of US\$1.0 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.
Book-Entry Only.....	The Additional New Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see “ <i>Description of the New Notes – Book- Entry; Delivery and Form</i> ”
New Notes Trustee.....	Citicorp International Limited.
New Notes Paying Agent, Transfer Agent and Registrar.....	Citibank, N.A., London Branch.
ISIN/Common Code of the New Notes.....	ISIN: XS2484448787; Common Code: 248444878
Temporary ISIN / Temporary Common Code of the Additional New Notes.....	ISIN: XS ; Common Code:
Legal Entity Identifier.....	3003003UPHPYKRFXT08
Listing.....	The Original New Notes are listed on the SGX-ST and application will be made to the SGX-ST for the listing of and quotation for the Additional New Notes on the Official List of the SGX-ST. The New Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) for so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require.
Governing Law.....	The New Notes, the Parent Guarantee and the New Notes Indenture will be governed by and will be construed in accordance with the laws of the State of New York.
Risk Factors.....	For a discussion of certain factors that should be considered in evaluating an investment in the New Notes, see “ <i>Risk Factors.</i> ”

## SUMMARY TIMETABLE

The following summarizes the current schedule for the Exchange Offers. Please note that the expiration of the Exchange Offers and the settlement of the Additional New Notes, as well as the other events listed below, may be earlier or later than indicated below. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this exchange offer memorandum.

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

Date	Event
June 24, 2022.....	Launch Date.  Commencement of the Exchange Offers and announcement via the Exchange Website and through Euroclear or Clearstream, as applicable.  Exchange offer memorandum will be made available to Eligible Holders of the Old Notes on the Exchange Website.
July 8, 2022 (4:00 p.m. London time).....	Exchange Expiration Deadline in respect of each of the Exchange Offers.  This being the last date and time on which Eligible Holders of the Old Notes who validly tender the Old Notes are eligible to receive the Exchange Consideration, as this is the last date and time for Eligible Holders of the Old Notes to participate in the Exchange Offers.
As soon as practicable after the Exchange Expiration Deadline .....	Announcement of (i) the amount of valid tenders for exchange received on or prior to the Exchange Expiration Deadline in respect of each of the Exchange Offers, (ii) the final aggregate principal amount of the Old Notes accepted for exchange, and (iii) the final aggregate principal amount of the Additional New Notes to be issued to Eligible Holders in exchange for the Old Notes validly tendered, accepted and exchanged.
On or about July 12, 2022.....	Settlement Date.  Subject to satisfaction of the conditions as set forth under “ <i>Description of the Exchange Offers – Conditions to the Exchange Offers</i> ”, settlement of the Additional New Notes and payment of the aggregate Exchange Consideration to Eligible Holders whose Old Notes have been validly tendered and accepted for exchange.
On or about July 13, 2022.....	Listing of the Additional New Notes on the SGX-ST.

All references in this exchange offer memorandum to times are to Hong Kong time, unless we state otherwise. The above dates are indicative only.

We reserve the right to extend the Exchange Expiration Deadline in respect of any of the Exchange Offers and/or the Settlement Date in our sole discretion. In such case, the date on which the notice of the results of the Exchange Offers will be delivered and/or the Settlement Date will be adjusted accordingly. Eligible Holders of Old Notes should inform themselves of any earlier deadlines that may be imposed by the Clearing Systems and/or any intermediaries, which may affect the timing of an Instruction for exchange.

Unless stated otherwise, announcements in connection with the Exchange Offers will be made by publication on the Exchange Website and by the delivery of notices to the Clearing Systems for communication to direct participants and may be published via a recognized financial news service or services (e.g. Reuters/Bloomberg) as selected by us. Significant delays may be experienced where notices are delivered to the Clearing Systems and Eligible Holders of the Old Notes are urged to contact the Information and Exchange Agent for the relevant announcements during the course of the Exchange Offers.

## RISK FACTORS

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

### **Risks Relating to the Exchange Offers**

***We are experiencing difficulty in maintaining and raising sufficient cash, including through financing activities, to meet our obligations as they become due and to continue funding our on-going business operations and investments.***

We are experiencing difficulty in maintaining and raising sufficient cash to meet our obligations as they become due and to continue funding our on-going business operations and investments. There has been significant negative news recently on difficulties experienced by the Chinese property sector and companies in that sector, including us. See “*Summary – Background and Purpose of the Exchange Offers.*” We continue to examine various options to improve our liquidity and cash position. However, there can be no assurance that we will be able to continue generating sufficient cash through operations and financing activities to meet our obligations as they come due, as well as to continue funding our significant operational cash flow needs and ongoing investments and other commitments. Failure by us to generate such cash could have a material adverse effect on our business, results of operations, financial condition and debt repayment capability.

Having carefully considered its liquidity position, we did not pay the principal and interest on the remaining 2021 Notes and 2019 Notes that matured on June 8, 2022 and June 18, 2022, respectively. The Old Notes have been delisted from the HKSE upon maturity. A nonpayment of principal will entitle holders of the remaining Old Notes to a right of acceleration in respect of such Old Notes, and similarly for a nonpayment of interest, following expiry of a 30-day grace period. We are in active communication with our creditors for a solution including exchanging existing notes for new notes and waivers of any events of default arising from the nonpayments. However, there is no assurance that a solution can be agreed upon with each of the creditors, and it is possible that the non-consenting creditors may accelerate the relevant indebtedness at any time. In addition, the creditors of the Company, including the holders of the remaining Old Notes who do not participate in the Exchange Offers, may initiate legal proceedings against us including actions for immediate repayment, enforcement in respect of any assets pledged to secure such defaulted indebtedness, or freezing funds in our bank accounts as a result of a default by the Company. The creditors may take such actions at any time, prior to or after the consummation of the Exchange Offers. Such events would negatively impact our operations, financial conditions, cash reserve, the trading price of the New Notes and ultimately our ability to repay our obligations under the New Notes and other indebtedness on a timely basis, or at all. In addition, we may have to terminate the Exchange Offers if such events were to take place prior to the consummation of the Exchange Offers.

***We have delayed coupon payments on the Old Notes, which may lead to Events of Default.***

In light of the significant pressure on its short-term liquidity, we have not made the most recent coupon payments on the 2021 Notes and the 2019 Notes, which were due on June 8, 2022 and June 18, 2022, respectively. We cannot assure you that the Company will be able to make coupon payments on such Old Notes within the 30-day grace period under their respective indentures to avoid defaults and acceleration of the underlying obligations and cross-defaults under our other existing indebtedness. Any failure to meet relevant payment obligations or comply with other requirements under our indebtedness would negatively impact our operations, financial conditions, the trading price of the New Notes and ultimately our ability to repay our obligations under the New Notes on a timely basis, or at all.

***The Exchange Offers may be delayed, amended or cancelled.***

We are not obligated to complete the Exchange Offers under certain circumstances and unless and until certain conditions are satisfied or waived, the Exchange Offers and may be terminated, as described more fully below in “*Description of the Exchange Offers – Conditions to the Exchange Offers.*”

Even if the Exchange Offers are completed, they may not be completed on the schedule described in this exchange offer memorandum. Accordingly, participating Eligible Holders of Old Notes may have to wait longer than expected to receive their Exchange Consideration (or to have their Old Notes returned to them in the event that we terminate the Exchange Offers), during which time those Eligible Holders of Old Notes will not be able to effect transfers of their Old Notes tendered in the Exchange Offers. In addition, subject to applicable laws, we have the right to amend the terms of the Exchange Offers prior to the Exchange Expiration Deadline in respect of each of the Exchange Offers.

We may choose to terminate or amend certain parts of the Exchange Offers but retain other aspects unchanged. In particular, we may amend the terms of the Exchange Offers, including the relevant timing of the Exchange Offers. In such event, we will issue announcements of such decisions accordingly.

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

We have made no determination that the consideration to be received in the Exchange Offers represents a fair valuation of the Old Notes or the Additional New Notes. The Exchange Consideration should not be construed as assurance or an indication of, and may not accurately reflect, the current or future market value of the Old Notes or the Additional New Notes. We have not obtained a fairness opinion from any financial advisor about the fairness to us or to you of the consideration to be received by Eligible Holders of the Old Notes. Accordingly, none of us, our board of directors, the Dealer Managers, the Trustees, the Agents, the Information and Exchange Agent nor any of their respective affiliates, directors or advisors or agents or any person who controls any of them or any other person is making any recommendation as to whether you should tender any Old Notes for exchange in the Exchange Offers.

***Instructions by Eligible Holders of Old Notes to tender Old Notes for exchange are irrevocable and cannot be withdrawn, except as required by applicable law.***

Instructions in connection with the Exchange Offers are irrevocable. Eligible Holders who tender their Old Notes may not withdraw their instructions to exchange for the Exchange Consideration except in limited circumstances as required by applicable law. As a result, there may be an unusually long time during which Eligible Holders of Old Notes may be unable to effect transfers of their Old Notes tendered for exchange.

***Investors are urged to consult their tax advisors regarding the tax consequences of the Exchange Offers.***

Except as described under “*Certain Tax Considerations*”, this exchange offer memorandum does not discuss the tax consequences to holders and beneficial owners of Old Notes of the Exchange Offers in any jurisdiction. Holders and beneficial owners of Old Notes are urged to consult their own independent financial or other professional advisors regarding possible tax consequences of the Exchange Offers (including the exchange of Old Notes for Additional New Notes) to them under the laws of any relevant jurisdiction. Such holders and beneficial owners are liable for their own taxes and have no recourse to us, the Parent Guarantor, the Dealer Managers, the Information and Exchange Agent, the Trustees, the Agents or any person who controls any of them or any of their respective affiliates, directors or advisors or agents with respect to taxes arising in connection with the Exchange Offers. For certain tax consequences of the ownership and disposition of the New Notes, see the section entitled “*Certain Tax Considerations*.”

***Sanctions Restricted Persons will not be eligible to receive the Exchange Consideration.***

A beneficial owner or any direct participant who is a Sanctions Restricted Person will not be eligible to receive the Exchange Consideration, as applicable, in any circumstances, notwithstanding the delivery (and non-withdrawal or revocation) of an Instruction to tender Old Notes for exchange on or before the Exchange Expiration Deadline.

***We expressly reserve the right to purchase any Old Notes that remain outstanding after the consummation of the Exchange Offers.***

Whether or not any of the Exchange Offers is consummated, we expressly reserve our absolute right, in our sole discretion, from time to time to redeem or purchase any Old Notes that remain outstanding after the consummation of the Exchange Offers through open market or privately negotiated transactions, one or more tender offers or additional exchange offers or otherwise, on terms that may differ from the Exchange Offers and could be for cash or other consideration, or to exercise any of our other rights, including redemption rights, under the indentures governing the Old Notes.

***Upon consummation of the Exchange Offers, liquidity of the market for outstanding Old Notes may be substantially reduced, and market prices for outstanding Old Notes may decline as a result.***

The trading market for Old Notes that are not exchanged for Additional New Notes could become more limited than the existing trading market for the Old Notes and could cease to exist altogether due to the reduction in the principal amount of the Old Notes outstanding upon consummation of the Exchange Offers. A more limited trading market might adversely affect the liquidity, market price and price volatility of the Old Notes. If a market for Old Notes that are not exchanged exists or develops, the Old Notes may trade at a discount to the price at which they would trade if the principal amount outstanding were not reduced. There can be no assurance that an active market in the Old Notes will exist, develop or be maintained, or as to the prices at which the Old Notes may trade, after the Exchange Offers are consummated.

***There are differences between the Old Notes and the New Notes.***

There are substantial differences between the Old Notes and the New Notes, including (but not limited to) the following:

- the 2019 Notes matured on June 18, 2022 and the 2021 Notes matured on June 8, 2022, while the New Notes will mature on June 5, 2023;
- prior to giving effect to the Exchange Offers, the respective aggregate principal amounts outstanding of the 2019 Notes and the 2021 Notes are US\$18,090,000 and US\$39,484,000, while the aggregate principal amount outstanding of the Additional New Notes shall depend on the aggregate principal amount of the Old Notes exchanged for New Notes in the Exchange Offers and consolidation and forming a single series with the Original New Notes upon the later occurrence of the SAFE Completion Event (as defined in the “*Description of the New Notes*” in this exchange offer memorandum) with the Original New Notes and the Additional New Notes;
- the 2019 Notes and the 2021 Notes bear interest rates of 10.875% and 12.00% per annum, respectively. The New Notes bear an interest rate of 12.00% per annum and the interest on the Additional New Notes will accrue from (and including) the Original Issue Date; and
- unlike the Old Notes, the Original New Notes and the Additional New Notes will be, issued in denominations of US\$150,000 of principal amount and integral multiples of US\$1.0 in excess thereof;
- unlike the Old Notes, certain major terms of the New Notes Indenture may be modified, amended or waived with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes at the time of the consent;
- unlike the Old Notes, 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 New Notes Indenture or the New Notes, the Parent Guarantor and any Restricted Subsidiary may exclude, among others, holders or beneficial owners of the New Notes that are located in the United States or “U.S. Persons” as defined in Regulation S under the Securities Act;
- under the New Notes Indenture, the Issuer has given an undertaking to use its best commercial efforts to extend the maturity of certain existing indebtedness as they fall due and on terms which are no more favorable in any material respect than the terms of the Exchange Offers; and
- unlike the Old Notes, the events of default provisions under the New Notes carve out any of the Old Notes under the cross-default events and, certain final judgments and orders and insolvency proceedings. For further details, see “*Description of the New Notes*.”

Without prejudice to the foregoing, holders should review the information in this exchange offer memorandum, including, in particular, “*Risk Factors*” and the “*Description of the New Notes*” in their entirety, before making a decision whether to tender Old Notes for exchange pursuant to the Exchange Offers.

***Your decision to tender any Old Notes for the Exchange Consideration may expose you to the risk of nonpayment for a longer period of time.***

The 2021 Notes and the 2019 Notes matured on June 8, 2022 and June 18, 2022, respectively. The New Notes will mature on June 5, 2023. By tendering your Old Notes and upon the consummation of the Exchange Offers, you will not have any recourse against the Issuer or the Company for repayment under the Old Notes while the holders of the Old Notes who do not participate in the Exchange Offers may take enforcement actions at any time in respect of the Old Notes held by such holders. In addition, we have a significant amount of indebtedness with maturities prior to the maturity of the New Notes. If you tender Old Notes for New Notes, and if we were to become subject to legal actions for repayment or bankruptcy or similar proceedings prior to the maturity date of the New Notes, holders of such earlier-maturing indebtedness including the holders of Old Notes who do not exchange their Old Notes for New Notes could be paid prior to such event and there would exist a risk that holders of the later-maturing New Notes would not be paid in full, if at all. Your decision to tender your Old Notes for later-maturing New Notes should be made with the understanding that the lengthened maturity of such New Notes exposes you to the risk of nonpayment for a longer period of time without an immediate cause of action for repayment.

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

Participating Eligible Holders of Old Notes should be mindful that they are authorizing the relevant Clearing System to block their position in the Old Notes until the Settlement Date, or termination or withdrawal of the Exchange Offers.

***No obligation to exchange the Old Notes.***

We are not under any obligation to exchange and shall have no liability to any person for any nonexchange of, any tender of Old Notes for exchange pursuant to the Exchange Offers. Any tenders by Eligible Holders for exchange of Old Notes may be rejected in our sole and absolute discretion for any reason and we are not under any obligation to Eligible Holders to furnish any reason or justification for refusing to accept tenders of Old Notes for exchange. For example, any tenders of Old Notes for exchange may be rejected if the Exchange Offers are terminated, if the holder is not an Eligible Holder, if any of the conditions to the Exchange Offers are not satisfied, if the Exchange Offers do not comply with the relevant requirements of a particular jurisdiction, or for any other reason.

***Instructions to exchange any of the Old Notes may only be submitted in a minimum principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof.***

In order to receive Additional New Notes pursuant to the Exchange Offers, an Eligible Holder must validly tender for exchange the Old Notes in a minimum principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof. An Eligible Holder that holds Old Notes having a principal amount which is less than US\$200,000 must, if it wishes to receive Additional New Notes pursuant to the Exchange Offer, first acquire such additional Old Notes as is necessary to enable that Eligible Holder to tender Old Notes equal to at least US\$200,000. Eligible Holders are responsible for ensuring that their Instructions will result in the Additional New Notes they are entitled to receive being at least equal to the minimum principal amount of US\$150,000. Instructions that would result in a principal amount of Additional New Notes below US\$150,000 will be rejected. For details, please refer to “Description of the Exchange Offers – Procedures for Tendering Old Notes.”

***The Additional New Notes will be issued in a minimum denomination of US\$150,000. The New Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000.***

The New Notes have a minimum denomination of US\$150,000. If, following the issue of the Additional New Notes on the Settlement Date, any holder of the New Notes, including Eligible Holders who are issued Additional New Notes in exchange for their tendered Old Notes pursuant to the Exchange Offers, holds in a nominal amount of less than the minimum board lot size of S\$200,000 for trading on the SGX-ST, such holder would need to purchase a nominal amount of the New Notes such that its holding is at least the minimum board lot size of S\$200,000 in order to trade in the New Notes on the SGX-ST.

***You are responsible for complying with the procedures of the Exchange Offers. You may not receive Exchange Consideration in the Exchange Offers if the procedures for the Exchange Offers are not followed.***



Eligible Holders of the Old Notes are responsible for complying with all of the procedures to tender Old Notes for exchange in the Exchange Offers. We will issue the Additional New Notes in exchange for your Old Notes only if you tender the applicable Old Notes and deliver a properly submitted Instruction through Euroclear or Clearstream, as applicable. You should allow sufficient time to ensure timely delivery of the Instruction and the necessary documents. None of the Issuer, the Company, the Dealer Managers, the Trustees, the Agents and the Information and Exchange Agent nor any of their respective affiliates, directors or advisors or agents or any person who controls any of them assumes any responsibility for informing the Eligible Holders of the Old Notes of irregularities in any Instruction to Euroclear or Clearstream, as applicable, or with respect to the acceptance of offers to exchange. Prior to the Settlement Date, no assurance can be given that the Exchange Offers will be completed. This may depend upon the satisfaction or waiver of the conditions of the Exchange Offers. Upon giving a blocking instruction relating to the securities account where Old Notes are held in a relevant Clearing System, Eligible Holders should be aware that they may not transfer title to such Old Notes to other persons and may suffer losses if the market price of the Old Notes changes and the Exchange Offers, in respect of that holder or generally, are not completed for whatever reason.

Eligible Holders holding the Old Notes in Euroclear or Clearstream should note the particular practices and policies of Euroclear or Clearstream, as applicable, regarding their communications deadlines, which will determine the latest time at which tenders of the Old Notes for exchange may be delivered to Euroclear or Clearstream, as applicable, (which may be earlier than the deadlines set forth in this exchange offer memorandum) so that they are received by the Information and Exchange Agent in respect of the Exchange Offers within the deadlines set forth in this exchange offer memorandum. None of the Issuer, the Company, the Dealer Managers, the Trustees, the Agents and the Information and Exchange Agent nor any of their respective affiliates, directors or advisors or agents or any person who controls any of them will be responsible for the communication of acceptances and corresponding instruction notices by:

- Beneficial owners to the direct participant through which they hold the Old Notes; or
- The direct participant to the Euroclear or Clearstream, as applicable.

If you are the beneficial owner of the Old Notes that are registered in the name of your broker, dealer, commercial bank, trust company or other nominee or custodian, and you wish to tender in the Exchange Offers, you should promptly contact the person in whose name your Old Notes are registered and instruct that person to tender on your behalf and to properly follow the procedures. Additionally, it is important to note that all references in this exchange offer memorandum to time are to Hong Kong time, unless we state otherwise.

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

Each Eligible Holder of the Old Notes is referred to the restrictions herein relating to the Exchange Offers and any transfer of the Additional New Notes. Noncompliance with these restrictions could result in, among other things, the rejection to exchange, unwinding of trades and/or heavy penalties.

**Risks Relating to Our Business**

***Our financial performance and business operations have been and may continue to be adversely affected and we may not be able to address our indebtedness or other obligations.***

Beginning in the second half of 2021 and continuing into 2022, Chinese property developers and the capital markets that have funded growth and development of the real estate sector have experienced an inflection point characterized by a number of adverse developments, including the following:

- reduced bank borrowings for real estate development has adversely affected property developers' access to onshore capital;
- reduced bank borrowings for housing mortgage loans to buyers and buyers' concerns towards the ability of property developers to complete their projects have adversely affected property sales;
- tightened restrictions on the use of pre-sale proceeds under the applicable PRC law; and
- a recent significant decrease in the aggregate contract sales across the real estate sector.

These events have adversely impacted our ability to obtain financing from the capital markets and other sources, and significantly curtailed the funding available to us to address our debt maturities.

We also experienced a decline in our aggregate contracted sales in recent months, which has resulted in a reduced cash inflow from our operations. Together with the backdrop of the adverse market conditions, we are experiencing short-term liquidity pressure. We are working on generating sufficient cash flow to meet our financial commitments, including, among others, through extension of our existing credit facilities, opportunistic financing and expenditure reduction. Specifically, we are conducting the Exchange Offers to manage our liabilities.

Despite our efforts, we cannot assure you that the Exchange Offers will be successfully consummated. The consummation of the Exchange Offers would allow us to manage the maturity size, extend the maturity profile of our existing senior notes and improve our liquidity and cash position. If we were not able to successfully consummate the Exchange Offers, we are not likely to be in a position to fully repay the remaining non-exchanging Old Notes and may consider alternative debt restructuring exercises.

Even if we are able to successfully consummate Exchange Offers, our ability to make scheduled payments on, or refinance our indebtedness obligations will still depend on our financial condition and operating performance, which are subject to prevailing economic, industry and competitive conditions and to certain financial, business, legislative, regulatory and other factors, many of which are beyond our control. As such, we may not be able to fulfill our repayment obligations to the holders who do not participate in the Exchange Offers. In addition, our existing bank facilities and other indebtedness obligations may still include event of default provisions.

The viable financing alternatives available to us have been significantly impacted by unfavorable changes to lending and investment policies by financial institutions and capital markets investors. Our reduced cash generated from operations and our existing level of indebtedness and obligations may give rise to investors' and market's doubt about our ability to continue operating as a going concern. Our ability to continue our operations, to realize the carrying value of our assets, and to discharge our liabilities in the normal course of business are dependent upon our ability to raise new capital sufficient to fund our commitments and on continuously generating profitable operations.

Due to the aforementioned operating environment and our financial position, we cannot assure you that our annual report for the fiscal year ending December 31, 2022 will not contain any qualifications or disclosures, including, for example, with respect to our ability to continue as a going concern, which could have a negative impact on our ability to obtain financing or may cause breach or default under other existing debt instruments.

***A deterioration in the property market and the construction industry in China and adverse changes in national or local policies relating to these industries may adversely affect the demand for our products and services.***

We primarily engage in the property development and building construction businesses in China. Demand for our products and services is heavily affected by the performance of the property market and the construction industry in China. The real estate industry and the construction industry in China are cyclical in nature, directly correlate with the macroeconomic environment, fixed asset investment levels and degree of urbanization in China and are sensitive to economic fluctuations and market uncertainty, and are vulnerable to tightening regulation by the PRC government. For example, the property market in China experienced extreme fluctuations in 2021. In the first half of the year, the market was buoyant as both supply and demand were booming. The situation took a sharp dive since July 2021 into a drastic correction period where persistent tightening governmental policies, multiple credit events and deteriorating consumer sentiment have resulted in temporary shut-down of various refinancing venues for the sector and put enormous pressure on property developers' short-term liquidity. Future changes in the macroeconomic environment, fixed asset investment levels and degree of urbanization in China are affected by many factors beyond our foreseeability or control. In recent years, China's economic growth is slowing down and it is difficult for us to predict how this slowdown will affect the performance of various industries in China, including the real estate and construction industries, as well as the business performance of the companies operating in those industries. Moreover, demand for our services in Jiangsu Province, Zhejiang Province and Shandong Province, among other provinces and cities in China, may decrease if the local economy experiences a significant downturn. Our ongoing projects, in which we have invested significant resources and capital, may be put on hold or suspended if economic conditions deteriorate, and we may be unable to collect payments and recover our costs. See *"Risks Relating to the PRC – China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain."*

Our business is susceptible to adverse changes in national or local policies relating to the PRC real estate industry and construction industry, including those that control the supply of land for property development, project financing and taxation. In recent years, the PRC government implemented a large number of regulations and policies to cool the real estate market and the inflation of property prices, such as limitation on the purchase of

property outside the province of registered residence, restrictions on real estate loans and higher interest rates for second-hand property transactions, among others. More recently, due to a significant increase in property prices starting in early 2016, PRC government has implemented measures to suppress the level of increase in property prices, such as tightening mortgage restrictions on second home purchases, in many cities in China, including Shanghai and Jiangsu Province where we have substantial operations. As a result of tightening financing policies and excessive curtailing of bank mortgage loans since the second half of 2021, property developers were under massive funding pressure or even liquidity crisis. Forecast of a downward trend has led to the customers' decision in delaying their purchase, which caused transactions to plummet and further squeezed property developers' cash flow. Local authorities stepped up monitoring of pre-sale funds which in turn caused more developers to collapse, customers to lose confidence and the market to go into a downward spiral. In the fourth quarter of 2021, despite policy adjustments, market sentiments were not reversed yet. We believe that these policies will have the effect of controlling and discouraging the investments in and development of real estate projects, and will in turn decrease the number of construction projects. There can be no assurance that the PRC government will not adopt additional industry-related policies or actions that tighten the control of the real estate industry in China in the future. The release of any such policies or implementation of any such actions may have a material adverse effect on our business, financial condition and results of operations.

***Our failure to obtain or renew the necessary approvals, licenses and permits for our businesses could materially and adversely affect our business, prospects, financial condition and results of operations.***

We and a substantial majority of our operating subsidiaries are incorporated in and carry out their business activities in China. According to the applicable PRC laws, a company is required to obtain a business license and must carry out activities within the stated business scope on such business license. Governmental approvals, licenses, registrations or filings may also be required for any expansion of the stated business scope. If in the course of our expansion, the Company or any of our subsidiaries is required to expand its operation beyond the stated business scope on the respective business license, such entity may need to obtain the additional governmental approvals and licenses or amend its registration or filings. We may fail to obtain these permissions or register or file in a timely manner, or at all, which could subject us to fines and penalties and substantially inhibit our ability to operate our business.

Some of our subsidiaries are required, under applicable laws and regulations, to seek additional governmental licenses, permits, authorizations, concessions and other approvals in connection with the particular type of their business activities. For example, our building construction business is within a highly regulated industry. The relevant operating entities are required to obtain, maintain and renew a number of licenses, qualifications and permits, such as housing construction EPC qualification and building construction engineering qualification. Obtaining the necessary governmental permits can be a particularly complex and time-consuming process and may involve costly undertakings. Further, our business and construction projects are subject to regular inspections, examinations, inquiries and audits, as well as periodic and spot inspections by the relevant government authorities to maintain or renew such licenses, certificates and permits. There can be no assurance that we will be able to obtain, maintain or renew the requisite licenses, certificates and permits, or comply with any new licensing requirements if new laws or regulations are promulgated or existing laws or regulations are amended, which may subject us to penalties, limitations or costs as a result and, in turn, have a material adverse effect on our business, financial condition and results of operations.

***Our business operations are capital intensive and any failure to obtain sufficient capital resources on acceptable terms or in a timely manner may adversely affect our business and prospects.***

Our business requires substantial capital resources. Maintaining our competitiveness and implementing our growth strategies both require us to obtain sufficient funds to purchase quality raw materials, replenish our working capital and pursue strategic alliance or acquisitions. We finance our operations primarily through cash generated from operating activities and interest-bearing bank and other borrowings and funds raised from the capital markets such as the listing of our shares on the SSE and issuances of corporate bonds. We believe that we will continue to require substantial capital resources to support our business operations and expansion.

Our ability to generate sufficient operating cash flow is affected by a number of factors, such as the payment schedules agreed between our customers and us, our ability to execute our projects in an efficient manner, timely payment of contracting fees by our customers, and changes in the general market conditions and regulatory environment, and many of these factors are out of our control. Any adverse change in any of these factors may create capital shortfall. In addition, as is consistent with industry practice, we are often required to commit significant resources to the projects of our customers prior to receiving the majority of the contract sum from such customers. We cannot assure you that our operating activities are able to generate sufficient cash to satisfy our

cash need at all times. An extended delay in payment from any major customer, particularly in large-scale construction projects, or failure to collect our performance guarantees or retention fees, may have a material adverse effect on our cash flow and working capital.

Our ability to obtain adequate financing for land acquisition and property development on terms acceptable is also dependent on a number of factors that are beyond our control, such as general economic conditions, our financial strength and performance, credit availability from financial institutions, cost of borrowing, as well as monetary policies in China and PRC regulations relating to the property sector. We cannot assure you that the PRC government will not limit our access to capital, our flexibility and ability to use bank loans or other forms of financing to finance our property development. In November 2009, the PRC government raised the minimum down-payment of land premium to 50%. In March 2010, the PRC government further tightened this requirement by setting the minimum land premium at no less than 70% of the prevailing price at the locality of the land parcel granted, and the bidding deposit at not less than 20% of such minimum land premium. Currently, the PRC government requires that a land grant contract must be entered into within 10 working days after the closing of the land grant, and the down-payment of 50% of the land premium must be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of the land grant contract. Such change in policy may constrain our cash otherwise available for additional land acquisition and construction. The PRC government could also introduce other initiatives restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties, prohibiting commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans, and forbidding property developers from using borrowings obtained from any local banks to fund property developments outside that local region. In addition, in April 2010, the State Council of the PRC (中華人民共和國國務院) (the “**State Council**”), issued the Notice on Resolutely Curbing the Excessive Hike of Property Prices in Some Cities (國務院關於堅決遏制部分城市房價過快上漲的通知), which mandates that developers who hold idle land or speculate in land will not be granted bank loans for the development of new property projects. In September 2010, People’s Bank of China (中國人民銀行) or the central bank of China (“**PBOC**”), and China Banking Regulatory Commission (中國銀行業監督管理委員會) (“**CBRC**”), the predecessor of China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) jointly issued a notice to prohibit banks from lending to any property developer for its new projects or renewal of its existing loans if such developer has a track record of maintaining idle land, changing the use and nature of land without proper approval, delaying the construction commencement or completion date, hoarding properties or other noncompliance. We cannot assure you that we will be able to secure adequate financing to fund our land acquisitions (including any unpaid land premium for past acquisitions), to finance our project construction or to renew our existing credit facilities prior to their expiration. If we are unable to secure adequate financing, or if the PRC government adopts further restrictive credit policies in the future, this may materially and adversely affect our business, financial condition and results of operations. With an aim to introduce a long-term mechanism for regulation of the real estate market in China, the MOHURD and the PBOC promulgated a number of guidance and policies on capital funding and financing of real estate industry and property developers in 2020 and early 2021, commonly known as the “three red lines”. The “three red lines” policy requires real estate enterprises to meet certain financial threshold, including (i) a debt-to-asset ratio of no greater than 70% after exclusion of the deposits received; (ii) a net debt ratio of no greater than 100%; and (iii) a cash to short-term debt ratio of no less than one. The “three red lines” policy is not an official regulation promulgated by the MOHURD and PBOC, and we have not received any notice from relevant authorities that requires us to follow the foregoing rules. It is still uncertain how the “three red lines” policy may apply to us. As of December 31, 2021, we met the net debt ratio requirement under the “three red lines” policy. There can be no assurance that we will adapt our operations and financing to the “three red lines” policy at reasonable cost. The implementation of such policy may limit our debt financings or cause us to incur additional financing costs, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

Effective from January 1, 2021, PRC financial institutions (excluding their overseas branches) are required to limit the amount of real estate loans and personal housing mortgage loans they lend to the proportions determined by the PBOC and the China Banking and Insurance Regulatory Commission (“**CBIRC**”, the successor of the CBRC) calculated based on the total amount of RMB loans extended by such financial institution. A relevant financial institution will have a transition period of two years or four years to comply with the requirements depending on whether such financial institution exceeded 2.0% of the legal proportion based on the statistical data relating to such bank as of 31 December 2020. Under the notice, the PBOC and CBIRC will have the authority to take measures such as, among other things, imposing additional capital requirements on and reallocating the weight adjustments relating to the risk of real estate assets for financial institutions that fail to rectify the proportion requirements within a certain period. We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital resources. The foregoing and other initiatives introduced by the

PRC government may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments. Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to acquire new land reserves, commence new projects or continue the development of existing projects. Such failure may also increase our finance costs and have a material adverse effect on our business, prospects, financial condition and results of operations.

***Our significant indebtedness could limit the working capital required for our business operations and expose us to additional risks.***

We fund the working capital requirement for our business operations and capital expenditure partially with bank borrowings and proceeds from bond issuances in China and we have maintained a relatively high level of indebtedness. As of December 31, 2021, our total indebtedness (comprising short-term loans, non-current liabilities due within one year (excluding lease liabilities due within one year), long-term loans and bonds payable) was RMB62,107.6 million (US\$9,746.0 million), of which RMB24,069.1 million (US\$3,777.0 million) was short-term indebtedness. There can be no assurance that we will be able to renew existing borrowings upon expiry, or secure new borrowings from banks or other financial institutions, whether on commercially acceptable terms or not. If the banks and other financial institutions providing existing borrowings do not continue to extend similar or more favorable facilities to us and we fail to obtain alternative borrowings on comparable terms or at all, our business, financial condition and results of operations will be materially and adversely affected.

Substantial indebtedness could affect our business in a number of ways: (i) requiring a substantial portion of our cash flows from operations to be used for servicing our debt, thereby reducing the cash flow for working capital, capital expenditures or other general corporate uses; (ii) increasing our exposure to interest rate fluctuations; (iii) limiting our ability to obtain, and increasing the cost of, additional financing to fund future working capital, capital expenditures or general corporate uses; and (iv) limiting (to the extent our loan agreements contain such covenants) our ability to pay dividends, sell assets and make intergroup transfers, which may limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate. For example, certain of our onshore and offshore debt securities grant put options to the relevant holders, in particular, repurchase right to be exercised at the option of the holders on or after a certain date prior to maturity. For instance, pursuant to the indenture of the 2019 Notes dated June 18, 2019, holders of the 2019 Notes have the right, at their option, to require us to repurchase for cash all of their 2019 Notes on June 18, 2021 (the “**Put Date**”) at the repurchase price equal to 102% of the principal amount of the 2019 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the Put Date. To exercise the repurchase right on the Put Date, a holder of the 2019 Notes must deliver a written repurchase notice to the trustee and the paying agent of the 2019 Notes within the prescribed period. On the Put Date, we shall repurchase the 2019 Notes from such holders who have validly exercised their repurchase right. Such debt repurchase or similar early redemption might adversely affect our liquidity position and cash flow.

The availability of bank and other borrowings is subject to various factors beyond our control, including prevailing capital market conditions, credit availability and interest rates. The global financial economic crisis starting from the second half of 2008 has cast doubt on the sustainability of global economic growth and has had an overall adverse impact on business sentiments and environment, leading to the tightening of credit markets, a low level of liquidity in many financial markets and an increase in volatility in credit and equity markets. This resulted in the tightening of credit policies by many financial institutions, which reduced the amount of funding available to borrowers. If market conditions worsen, the availability, terms and cost of bank and other borrowings may be adversely affected, which would disrupt our ability to renew existing bank and other borrowings or obtain new bank and other borrowings for our operations. Such impact may materially and adversely affect our business, financial condition and results of operations.

As of December 31, 2021, we had outstanding related party guarantee, where we acted as a guarantor under relevant financing agreements, in a total amount of RMB10,990.9 million (US\$1,724.7 million). On April 7, 2021, the Issuer issued the 2024 Notes in an aggregate principal amount of US\$250.0 million, which are unconditionally and irrevocably guaranteed by us. On June 9, 2021, the Issuer issued the 2021 Notes in an aggregate principal amount of US\$150.0 million, which are unconditionally and irrevocably guaranteed by us. If any of the guaranteed companies defaults on its borrowings guaranteed by us, the lender may exercise its rights under the guarantee to demand repayment from us. If we were to perform our repayment obligations as guarantors in the future, our business, financial condition and results of operations may be materially and adversely affected.

***Restrictive covenants contained in credit facilities may limit our ability to incur additional indebtedness and restrict our future operations, and failure to comply with these restrictive covenants may adversely affect our liquidity, financial condition and results of operations.***

Certain financing contracts entered into by our subsidiaries contain operational and financial restrictions that prohibit the borrowers from incurring additional indebtedness unless they are able to satisfy certain financial ratios, restrict the borrowers from creating security or granting guarantees or prohibit the borrowers from changing their business and corporate structure and declaring or paying dividends, without the lenders' prior consent. For instance, some of the loan agreements entered into by us, including the Company, with certain commercial banks restrict it from incurring additional indebtedness, creating security, granting guarantees, or paying dividends to its shareholders. Such restrictions may negatively affect the relevant companies' ability to respond to changes in market conditions, pursue the business opportunities we believe to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in our business. Any of these factors could materially and adversely affect our ability to satisfy the obligations under outstanding financial obligations.

If we or any of our member companies are unable to comply with the restrictions (including restrictions on future investments) and covenants in the current or future debt obligations and other financing agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the creditors may be entitled to terminate their commitments granted to us or our subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, depending on the provisions of the relevant agreements. Some of our financing agreements contain cross-acceleration or cross-default provisions, which give creditors under these financing agreements to require us to immediately repay their loans or declare a default of borrower as a result of the acceleration or default of other financing agreements by any other member companies. If any of these events occur, we cannot assure you that we will be able to obtain the lenders' waiver in a timely manner or that our assets and cash flow would be sufficient to repay in full all of the respective debts as they become due, or that we would be able to find alternative financing. Even if we could obtain alternative financing, there can be no assurance that it would be on terms that are favorable or acceptable to us.

Due to our worsening financial conditions (see "Summary"), we are subject to increased risks of default under our financing documents. Any default in our financial documents due to a failure to comply with a restrictive covenant, a failure to pay or any other reason may also trigger cross-default provisions in our other indebtedness, including the Old Notes. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Some of our assets are provided as security to secure our related parties' and our loan facilities. These assets include land use rights, projects under construction, fixed assets and investment properties. For example, the land parcel of a property development project might be mortgaged used to secure a bank loan to financing of the project. Third-party security rights may limit our use of those assets and may adversely affect our operation efficiency. If we are unable to service and repay our debts under such loan facilities on a timely basis, the assets mortgaged or charged to secure our bank loans may be foreclosed, which may adversely affect our business, financial condition and results of operations.

***We may not be able to complete our projects on time or at all.***

Many of our property development projects and construction projects require substantial capital expenditure during the construction period, and it may take several months or even years to complete. The construction progress of the projects we undertake can be adversely affected by many factors, including:

- changes in market conditions including the credit market;
- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- changes in government rules and regulations and the related practices and policies;
- increases in the prices of raw materials;
- shortages of materials, equipment, contractors and skilled labor;
- unforeseen engineering, design, environmental or geographic problems;
- labor disputes and strikes;
- construction accidents; and
- natural disasters or adverse weather conditions and other unforeseen problems or circumstances.

There can be no assurance that we will not experience any delays in delivery of our property development projects and construction projects in the future. Construction delays or failure to complete the construction of a project according to our planned specifications, schedules or budgets as a result of the above factors may adversely affect our business and financial condition and may also cause reputational damage or expose us to contractual liabilities.

***If we fail to manage our inventory level effectively, we could incur more inventory carrying costs or lose sales, either of which could materially and adversely affect our business, financial condition and results of operations.***

Our inventories primarily represent the projects (or a portion of a project) that are completed before the relevant bills are issued and the contraction and raw materials used in project construction. We have historically maintained a relatively high level of inventories. As of December 31, 2019, 2020 and 2021, we had inventories of RMB165,586.8 million, RMB184,374.9 million and RMB190,134.3 million (US\$29,836.2 million), respectively, representing 65.6%, 61.5% and 63.2% of our total current assets, respectively. Although we endeavor to closely monitor our level of inventory to minimize our exposure to liquidity risk, we cannot assure you that the measures we have adopted will be effective or we can manage our inventories effectively or at all.

If we have a high level of inventory, we may incur additional inventory carrying cost. Increased inventories adversely affect our pricing strategies, increase write-downs and write-offs and result in pressure on our cash flow. According to our accounting policies, we make provisions for inventory obsolescence based on the prevailing market conditions and the accounting estimates and judgments of our management.

***We may not always be able to obtain land reserves that are suitable for our future property development.***

We generate operating income from our property development business principally from the sale of properties that we have developed. To have 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. We acquire land primarily through government-organized auction and the listing-for-sale process, and by acquiring equity interests in project companies that hold land use rights and by participating in the PRC government's redevelopment policies programs. Our ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond our control, such as the overall economic conditions, our effectiveness in identifying and acquiring land parcels suitable for development and competition for such land parcels. The availability of substantially all of the land in China is controlled by the PRC government. Thus, the PRC government's land policies have a direct impact on our ability to acquire land use rights for development and our costs of acquisition. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land for property development. The PRC government also controls land supply through zoning, land usage regulations and other means. All these measures further intensify the competition for land in China among property developers.

In March 2010, the PRC Ministry of Land and Resources issued 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 which the minimum price for a given land transfer is required to be equal to at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be equal to at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (including any deposits previously paid) as a down-payment within one month of signing a land grant contract and pay the remaining land premium in full within one year from the date of the land grant contract. In addition, in September 2010, the PRC Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部), formerly known as PRC Ministry of Construction (中華人民共和國建設部) ("MOHURD"), issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (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 the planning and construction conditions and land use standards should be specified when a parcel of land is to be granted, and the restrictions on the area of any parcel of land granted for commodity properties should be strictly implemented. The development and construction of large low-density residential properties should be strictly restricted, and the plot ratio for residential land is required to be more than 1.0. In addition, a property developer and its shareholders will be prohibited from participating in any bidding to acquire additional land until any illegal behavior in which it has engaged, such as leaving its land idle for more than one year, has been completely rectified.

On June 1, 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land (閒置土地處置辦法), which provide that, if any land parcel constitutes "idle land" due to government-related action, the holder of the relevant land use rights is required to explain to the relevant municipality or county-level land administrative department(s) the reasons for the land becoming idle, consult the



relevant governmental authorities and rectify the situation accordingly. The means of rectification include the extension of the period permitted for commencing development, the adjustment of the land use and planning conditions, and the substitution of the relevant idle land parcels with other land parcels.

On November 5, 2012, the Ministry of Land and Resources, the PRC Ministry of Finance, the PBOC and the CBRC jointly promulgated the Notice on Strengthening Land Reserves and Financing Administration (關於加強土地儲備與融資管理的通知) in order to strengthen land bank administration, determine the reasonable scale and structure of land bank, strengthen the administration of land predevelopment, reservation and protection, and regulate the financing of land reservation and the use of land reservation funds.

On February 2, 2016, the Ministry of Land and Resources, the Ministry of Finance of the PRC (中華人民共和國財政部) (“MOF”), the PBOC and the CBRC jointly promulgated the Circular on Issues Concerning the Standardization of Land Reserve and Fund Management (關於規範土地儲備和資金管理等相關問題的通知) in order to further standardize land reserve behaviors and adjust financing methods for land reservation.

On April 1, 2017, the Ministry of Land and Resources and the Ministry of Housing and UrbanRural Development jointly promulgated the Circular on Recently Tightening the Management and Control over Residential Properties and Land Supply (關於加強近期住房及用地供應管理調控有關工作的通知), which stipulated, among other things, (i) the scale, structure and time sequence of housing land supply will be adjusted in due time according to the commercial housing inventory cycle, and the supply of land (a) with the inventory cycle of more than 36 months shall be suspended, (b) with the inventory cycle of 18 to 36 months shall be reduced, (c) with the inventory cycle of six to 12 months 24 shall be increased, and (d) with the inventory cycle of less than six months shall be increased and accelerated; (ii) the local authority will build a fund inspection system to ensure that the real estate developers use own legal funds to acquire land use right; and (iii) the local bidding system of the land use right shall be determined in a flexible manner, according to the local actual status and specific conditions of land.

The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. If we fail to acquire sufficient land reserves suitable for development in a timely manner and at acceptable prices, our prospects and competitive position may be adversely affected and our business strategies, growth potential and performance may be materially and adversely affected.

***We may forfeit land to the PRC government if we fail to comply with the terms of the land grant contracts.***

Under PRC laws, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, specified usage of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty and/or liquidated damages, and/or order us to forfeit the land. Under the current PRC laws and regulations, if we fail to pay any outstanding land premium by the stipulated deadline, we may be subject to a late payment penalty calculated on a per-day basis. Currently, the PRC government requires that a land grant contract must be entered into within 10 working days after the closing of the land grant, and the down-payment of 50% of the land premium must be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of land grant contract. Such policies may materially and adversely affect our ability to make timely payment of land premiums.

In addition, if we fail to commence development of a property project within the stipulated period as required under the current PRC laws without the approval from the relevant PRC land authorities, the relevant PRC land bureau may serve a warning notice on us and impose idle land fees up to 20% of the land premium unless such failure is caused by a government action or a force majeure event. The Notice on Promoting Economization of Land Use (關於促進節約集約用地的通知) issued by the State Council in January 2008 further confirmed the idle land fee at 20% of the land premium. If we fail to commence such development for more than two years, the land is subject to forfeiture to the PRC government unless the delay in development is caused by government actions or force majeure. Even if the commencement of the land development complies with the land grant contract, if the developed GFA on the land is less than one-third of the total GFA of the project or if the total capital expenditure is less than 25% of the total investment of the project and the suspension of the development of the land is more than one year without government approval, the land will still be treated as idle land. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009, which reiterates the current rules regarding idle land. In September 2010, the Ministry of Land and Resources and the MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real

Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which provides that a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behavior in which it engages, such as (1) having land idle for more than one year due to its own reasons; (2) illegal transfer of land use rights; (3) noncompliance with the land development requirements specified in a land grant contract; and (4) crimes such as taking land by forging official documents and illegal land speculation, has been completely rectified.

We cannot assure you that circumstances leading to imposition of penalty, liquidated damages or forfeiture of our land will not arise in the future. If we are required to pay substantial idle land fees, our results of operations and our reputation may be adversely affected. If we forfeit land, we will not only lose the opportunity to develop the property projects on such land, but may also lose all our investments in the land, including land premiums paid and development costs incurred.

***We are exposed to pre-sale related contractual and legal risks and changes in pre-sale related regulations may adversely affect our financial performance.***

We make certain undertakings in our pre-sale contracts. These pre-sale contracts and PRC laws and regulations provide for remedies with respect to any breach of such undertakings. For example, if we pre-sell a property project and we fail to complete that property project, we will be liable to the purchasers for their losses. Should we fail to complete a pre-sold property project on time, our purchasers may seek compensation for late delivery pursuant to either their contracts with us or PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate the pre-sale contracts and claim compensation. We cannot assure you that we will not experience delays in completion and delivery of our projects, which may have a material adverse effect on our business, financial condition and results of operations.

Under current PRC laws and regulations, property developers must fulfil certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance the development of such properties. In August 2005, PBOC in a report entitled “2004 Real Estate Financing Report” recommended to discontinue the practice of pre-selling unfinished properties because such practices, in PBOC’s opinion, create significant market risks and generate transactional irregularities. In July 2007, an economic research group under the NDRC recommended the abolishment of the pre-sale system. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. In April 2010, MOHURD issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing (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). The notice urges local governments to enact regulations on the sale of completed residential properties in light of local conditions and encourages property developers to sell residential properties only when they are completed. Recently, certain developers have commenced the practice of trial sale of completed residential properties. We cannot assure you that the PRC governmental authority will not ban the practice of pre-selling residential properties prior to completion or implement further restrictions on the pre-sale of such properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would require that we seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow, results of operations and financial condition.

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

Substantially all of the purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and affect the affordability of residential properties. In addition, the PRC government and commercial banks may increase the down-payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive or less available or less attractive to potential property purchasers.

Over the years, the PRC government has promulgated a range of laws, regulations and government policies regarding mortgage financing as a means to regulate the PRC property market. While the intent of these has generally been to reduce perceived speculation in the property market, during the global financial crisis the PRC government implemented a number of measures designed to stimulate the economy, including lowering the down payment requirements for purchasing residential properties and PBOC benchmark bank lending rates. However, since the fourth quarter of 2009, the PRC government has again enacted policies intended to restrain property

purchases for investment or speculation purposes and to keep property prices from rising too quickly. Measures include requiring and adjusting the minimum down payment for the acquisition of residential properties, requiring and adjusting the minimum mortgage loan interest rate for purchases of residential properties, requiring commercial banks to suspend mortgage loans to customers for purchase of multiple residential properties.

For commercial property buyers, PRC banks are not allowed to finance the purchase of any presold properties. The minimum down-payment for commercial property buyers has been increased to 50% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark one-year bank lending interest rate and maximum maturities of no more than 10 years. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. Since 2013, as a result of foregoing factors, PRC banks have generally tightened mortgage lending, which had affected the demand in the property market in general. Since September 2016, certain local governments including without limitation Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou and Hangzhou have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. Our business, financial condition and results of operations may therefore be adversely affected. Property purchasers in the PRC have been and will continue to be affected by these regulations and their amendments as may be made thereto from time to time.

We cannot assure you that the PRC government will not further increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Nor can we assure you that such regulatory changes would not adversely affect our business, financial condition and results of operations.

In addition, in line with industry practice, we provide guarantees to banks for mortgages they offer to our purchasers up until the relevant property and the individual property ownership certificates with respect to the relevant properties are issued to our purchasers and the mortgage registrations for the relevant properties have been completed. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and the banks would not accept any alternative guarantees by third parties, or if no third party is available or willing in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks and other financial institutions during sales and pre-sales of our properties. Such difficulties in financing could result in a substantially lower rate of sale and pre-sale of our properties, which would materially and adversely affect our cash flow, financial condition and results of operations.

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

As we pre-sell properties before their actual completion of construction, in accordance with industry practice, banks require us to guarantee our customers' mortgage loans. Typically, we guarantee mortgage loans taken out by our customers up until we complete the relevant properties and the property ownership certificates and certificates are delivered to the mortgagee banks. If a purchaser defaults on a mortgage loan, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage loans. In line with industry practice, we do not conduct any independent credit checks on our customers whose mortgage loans we guarantee but rely on the evaluation of such customers by the mortgagee banks.

As of December 31, 2019, 2020 and 2021, our outstanding guarantees in respect of our customers' mortgage loans amounted to RMB51,629.5 million, RMB59,023.3 million and RMB52,477.3 million (US\$8,234.8 million), respectively. Should substantial defaults occur and if we are called upon to honor our guarantees, our financial condition and results of operations could be materially and adversely affected.

***PPP projects typically require significant cash outlays and feature long payback periods and we may require substantial funding for these projects.***

In recent years, the PRC government has encouraged the development of the PPP model whereby private enterprises partner with local government in the financing, construction, operation and maintenance of infrastructure projects and other public works. We conduct part of our public facilities construction projects through PPP model. As of December 31, 2021, we had entered into contracts for 26 PPP projects with an aggregate contract value of approximately RMB35.6 billion (US\$5.6 billion).

For PPP project, we undertake, or jointly undertake with the government, the financing, construction, operation and maintenance of the project. As a result, if we are not able to accurately project the revenue to be derived from the use of the constructed facility at the bidding stage or are exposed to prolonged fluctuating economic conditions, our PPP projects may not be as profitable as anticipated. In addition, PPP projects typically require us to make significant initial investment using our own cash and external financing during the construction phase. Such investment features a long payback period, usually from 11 to 25 years. Due to the capital intensive and long-term nature of PPP projects, there can be no assurance that we will be able to secure adequate funding on terms that are acceptable to us or at all or that these projects will achieve their initial expected returns. Our ability to arrange for external financing and the cost of such financing are dependent on various factors, including general economic conditions, interest rates and credit availability from PRC banks. If we fail to obtain short-term or long-term project financing for such projects in the amount budgeted or at all, it may need to finance these projects from our internal resources, which may put a strain on our resources for developing or acquiring other projects and for other corporate purposes. Additionally, we may fail to properly perform our obligations in respect of these projects as a result of a funding shortage, and this may lead to a reduction in our returns and to the loss of part of our initial capital investment. This may also have a material adverse effect on our business, financial condition and results of operations.

***Our operating results may be significantly affected by changes in the prices and availability of raw materials.***

The principal raw materials of our construction projects are steel, concrete and cement. Our cost of raw materials represent a significant portion of the operating cost of our building construction business. For the years ended December 31, 2019, 2020 and 2021, our raw material costs amounted to RMB8,473.9 million, RMB9,296.3 million and RMB10,191.2 million (US\$1,599.2 million), accounted for 14.2%, 14.3% and 14.4% of our operating costs, respectively. Significant fluctuations in the market prices and the availability of these raw material will have a material impact to our operating cost and operating profit.

Raw materials prices depend on a variety of factors beyond our control, including the global and PRC economy and related government policies. There can be no assurance that the prices of our raw materials will not rise from current levels and that our operating cost will not increase. We undertake projects from the project owners mainly by way of contracting for labor and materials. To mitigate the price fluctuation risk of raw materials, we generally enter into contracts with risk allocation terms with the relevant project owners. Such risk allocation of raw materials price fluctuation normally provides that the benefit or loss caused by a price fluctuation less than 5% of the agreed price of the raw materials will bear by us and the project owner will bear the additional benefit or loss for a price fluctuation larger than 5% of the agreed price. If we are unable to purchase any of our raw materials on terms acceptable to us or if we are not able to pass on such price increases to our customers, our operating profit may decrease and our results of operations may be materially and adversely affected. Furthermore, price fluctuations in raw materials for construction industry will also affect the operating cost and profitability of downstream industries, including property development industry in which we operate.

Further, we procured our principal raw materials from a list of qualified suppliers, substantially all of whom were domestic companies in 2019, 2020 and 2021. In the event of an overall increase in market demand for such materials, there can be no assurance that we will be able to obtain our principal raw materials from our qualified suppliers in the necessary amount and in a timely manner. If the supplies are disrupted, or if one or more of our current suppliers are unable to meet our requirements for any reason, we may incur substantial costs and delays in our operations. Although alternate suppliers for the raw materials might be readily available, any unanticipated supply interruptions may have an adverse effect on our business and results of operations.

Moreover, any disruptions in our suppliers' transportation network or significant increase in their shipping costs could cause delays in delivery of our raw materials and equipment and machinery in a timely manner and result in increased costs. In such an event, we may be subject to damages or required to find alternative suppliers, which may result in a significant increase in our costs, and materially and adversely affect our business and results of operations.

***An increase in labor costs will increase our operating costs and may have an adverse impact on our operating profit.***

We have observed an overall tightening of the labor market and increased salaries. Failure to obtain stable and dedicated labor support may disrupt our business and adversely affect our operations. Furthermore, salary and wage costs have increased in China in recent years and may continue to increase in the near future. To remain competitive, we may need to increase the salaries of our employees to attract and retain them. For the years ended December 31, 2019, 2020 and 2021, our direct labor costs amounted to RMB2,290.1 million, RMB3,770.5 million

and RMB4,643.4 million (US\$728.7 million), accounted for 5.0%, 5.8% and 6.5% of our operating costs, respectively. Future increases in labor costs will increase our labor expenses and our financial position and results of operations may be adversely affected.

***We may fail to collect our receivables which may harm our liquidity and our business activities.***

As is consistent with market practice, we grant certain credit terms to our customers for payment of contracting fees, which may vary from one customer to another. As of December 31, 2019, 2020 and 2021, our accounts receivable, which mainly represents the outstanding contracting fees payable by our customers, amounted to RMB11,732.4 million, RMB7,110.3 million and RMB6,801.8 million (US\$1,067.3 million), respectively, representing 4.6%, 2.4% and 2.3% of our total current assets, respectively. We also have a significant amount of other receivables. As of December 31, 2019, 2020 and 2021, our other receivables amounted to RMB29,842.9 million, RMB33,767.6 million and RMB40,438.4 million (US\$6,345.7 million), respectively, representing 11.8%, 11.3% and 13.4% of our total current assets, respectively. Our other receivables primarily represent receivables from other related parties and cooperating parties and various guarantee deposits and security deposits. As of December 31, 2021, the total amount of the top five largest other receivables was RMB4,779.8 million (US\$750.1 million), representing 11.8% of our other receivables. Provisions for bad debts of other receivables made by us were RMB789.7 million (US\$123.9 million) as of the same date.

There are inherent risks associated with the ability of our customers and other third parties to make timely payment of the amounts due, such as deteriorations in the financial condition and cash flow of the payors and adverse changes in the general economic and regulatory environments. Furthermore, the process to recover various payments due can be time-consuming and may require additional resources. Failure to make timely payment by our customers and other third parties or our inability to collect receivables on a timely basis could materially and adversely affect our liquidity and in turn affect our business, financial condition and results of operations.

***Our operations are exposed to inherent operational risks and occupational hazards, which could cause us to incur substantial costs, damage to reputation and loss of future business.***

Construction sites are potentially dangerous workplaces and our construction projects routinely place our employees and others in close proximity with heavy duty construction machinery and equipment, moving motor vehicles, highly regulated and volatile materials, and chemical processes. Over the years, we have implemented and enforced a complete set of safety policies and standardized construction methods and technologies and consistently purchased accident and casualty insurance for our construction workers. Despite the foregoing, we are still subject to risks surrounding these activities, such as equipment failure, industrial accidents, geological catastrophes, fire and explosions. We have experienced workplace accidents in the past, some of which have caused personal injury or fatalities, as well as damage to or destruction of property and equipment. For example, in October 2020, our wholly-owned subsidiary, Jiangsu Zhongnan Construction Industry Group Co., Ltd. (江蘇中南建築產業集團有限責任公司), was sanctioned by relevant PRC regulatory authority due to the occurrence of a safety accident on its construction site in December 2019. The accident was caused by breach of relevant production safety regulations and the relevant PRC regulatory authority imposed a fine of RMB500,000 on Jiangsu Zhongnan Construction Industry Group Co., Ltd. The fine was settled in December 2020. There can be no assurance, however, that material workplace accidents will not occur in the future despite our safety policies and measures. Even if such accidents were not caused by our fault or negligence, such accidents may still cause us to incur substantial costs and damage to our reputation. Damage to our reputation as a result of workplace accidents, whether or not our fault, may cause us to lose future business, which may materially and adversely affect our business and results of operations.

***We have limited control over the quality, availability and performance of our construction subcontractors.***

As with the industry practice, we, as the general contractor, engage subcontractors from time to time to provide certain construction services, especially highly-specialized services. We conduct regular quality inspections of our subcontractors' work. However, we cannot guarantee the performance of our construction subcontractors and the quality of the construction subcontractors' work as we may not be able to monitor the operations of our subcontractors as directly and efficiently as we do with our own operations. Further, in cases where our customers recommend construction subcontractors to us, we may not have full knowledge of the construction subcontractors' financial condition, capability, work quality or historical performance despite our in-depth research prior to their engagement. In the event that a construction subcontractor fails to meet our quality standards or breaches our subcontracting agreement, and if we are unable to hire alternative construction subcontractors in a timely manner or on favorable terms, or at all, our operations may be delayed, which could harm our reputation and adversely affect our business, financial condition and results of operations. Moreover, we

may be subject to additional costs if we are required to hire alternative construction subcontractors, which would lower the efficiency and profitability of our operations.

In addition, we may be required to bear the liability arising from any defects of our construction subcontractors' work and thus may be subject to claims arising from any such defective work. We may attempt to seek indemnity from the relevant construction subcontractors in the event such a liability claim is brought against us in respect of our construction subcontractors' work, but we may be required to compensate our customers before we are able to recover such amount from the construction subcontractors. In the event that we are unable to seek indemnity from our construction subcontractors or we are uncompensated for a protracted period of time, we may be required to bear significant financial burdens, in which case our business, financial condition and results of operations could be materially and adversely affected.

***Our financial condition and results of operations may be affected by material fluctuations of interest rates.***

We have substantial bank loans outstanding. In the event that a substantial part of our bank loans bear interest rates linked to the benchmark lending rates published by PBOC, a material fluctuation in the benchmark lending rates may have a material impact on our interest expenses and payables under our bank loans and in turn negatively affect our financing costs and results of operations. PBOC from time to time adjusts interest rates as implementation of its economic and monetary policies. Since the outbreak of the global financial crisis in 2008, PBOC started to lower the benchmark lending rates with an aim to encourage lending, increase liquidity in the market and promote the recovery of China's economy. Since 2008, PBOC decreased the benchmark one-year lending rate five times, from 7.47% to 5.31% in December 2008, which remained unchanged until September 2010. Since then, the one-year lending rate was gradually increased to 6.56% as of July 7, 2011 and onwards. In recent years, a perceivable slowdown in the growth of the economy of the PRC again caused the PRC government to adopt more liberal monetary policies with the aim to stimulate the PRC's economic development. Since 2012, PBOC for a number of times reduced the benchmark one-year lending rate to 4.35% as of October 24, 2015 and onwards.

For the years ended December 31, 2019, 2020 and 2021, our interest expenses incurred were RMB6,587.1 million, RMB6,901.9 million and RMB6,815.1 million (US\$1,069.4 million), respectively. Although our financial condition and results of operations may benefit from a low-interest environment, there can be no assurance that a low-interest environment will continue. Any increase in the benchmark lending rate by PBOC in the future may increase our financing costs and adversely affect our profitability, financial condition and results of operations.

***Any material discrepancies between the estimated costs and the actual costs ultimately incurred may materially and adversely affect our financial condition and results of operations.***

Some of our contracts are fixed-price, which we estimate based on a cost analysis before we enter into contracts with our customers. The lengthy bidding, contract negotiation and construction process of our construction projects limit our ability to accurately predict costs at the outset. The contract terms therefore expose us to cost overruns as a result of factors beyond our control, including variations in labor and equipment productivity, price fluctuations of raw materials and unforeseen project conditions. The occurrence of any of such factors may result in inaccurate cost estimates, lower profits or even a loss despite any buffers we may have built into the contract value to safeguard against cost increases. Some of our contracts may have a price adjustment clause, allowing us to adjust the contract value for additional costs incurred due to a significant increase in our costs as a result of certain circumstances. In such cases, we are typically required to cover a portion of the increased costs. If our estimated costs are lower than our actual costs, or if the price adjustment does not cover our increased costs, our business, financial condition and results of operations may be materially and adversely affected.

From time to time, we may need to perform additional work or adjust the scope of work under our contracts. For example, we may be required to change our work scope when our customers changes their blueprint design. If we are unable to recover the additional costs arising from change in work scope caused by our customers, our business, financial condition and results of operations may be materially and adversely affected.

***If we are unable to manage our growth or implement our strategies successfully, our business and prospects may be materially and adversely affected.***

We had recorded an increase of 69.1% in our operating profit on a year-on-year basis in 2020. In 2021, we had recorded a decrease of 124.4% in our operating profit on a year-on-year basis. Our ability to continue to increase our operating profit or to maintain our profit growth depends on our effective management of the resulting risks by, among others:

- improving our operational, financial and management systems;
- developing skills of our management team;
- training, motivating, managing and retaining our employees;
- maintaining adequate facilities and equipment;
- enhancing our risk monitoring to assess the financial condition and business potential of new and existing customers;
- managing our liquidity position while committing substantial resources to market expansion, business development, and service and product development efforts;
- managing the increased complexity and costs associated with expanded operations, which may divert our resources and require substantial capital commitment; and
- selectively diversifying our customer base to improve our working capital management.

There can be no assurance that our systems, procedures, controls, personnel and expertise will be adequate to support our future growth. Failure to achieve any of the foregoing, or manage the risks and uncertainties created by measures to achieve the foregoing, could materially and adversely affect our business, prospects, financial condition, results of operations.

Our anticipated expansion will place a significant strain on our management, systems and resources. Our development and expansion strategies will require substantial managerial efforts and skills and the incurrence of additional expenditures and may expose us to new or increased risks. We may not be efficient or effective in executing our growth strategies or managing the growth of our operations, and may encounter unanticipated market and business risks and suffer financial loss. Any failure to do so may have a material adverse impact on our business and prospects.

***We may have difficulty expanding our business into new provinces and regions in China and new overseas markets.***

A majority of our property development and construction projects were located in Jiangsu Province, Zhejiang Province and Shandong Province as of December 31, 2021. In addition to growing our market share in these regions, we have been expanding and plan to continue to expand our operations in the neighboring provinces, among other provinces and regions in China. As of December 31, 2021, we have undertaken multiple overseas projects in ten countries and the contract amount for our overseas projects reached approximately RMB3,300.0 million (US\$517.8 million). There can be no assurance that we will be successful in leveraging our experience in our existing markets to expand in other provinces, regions and overseas markets, as the economic development, regulatory environment, business practices and customs and customer preferences may differ. We may also fail to accurately assess the risks involved in engaging in business operations in such provinces, regions and overseas markets given our limited operational experience in those areas. In addition, we may be competing against regional, national and international competitors in these provinces, regions and overseas markets that are more familiar with the local customs and practices, or have stronger relationships with local customers. Further, local government authorities may be protective of local construction solutions businesses, limiting the number of projects we may be awarded or our ability to obtain the requisite licenses, certificates and permits to do business in the local construction industry. Even if we are awarded projects, the higher costs associated with engaging local labor force, and transporting our equipment and machinery to, or leasing equipment and machinery from local suppliers in, regions domestically and internationally may significantly affect our profitability on such projects. If we fail to expand into other provinces, regions or overseas markets, or fail to expand profitably or in a manner favorable to us, our business, growth and prospects may be materially and adversely affected.

***Our overseas operations may be affected by the economic and political uncertainties in the relevant overseas markets.***

We have operations in overseas countries and regions, including less developed areas such as Algeria and Niger. In 2019, 2020 and 2021, 0.2%, 1.5% and 0.59%, respectively, of our total operating income was generated from our overseas operations. Our business is therefore subject to changing international economic and political conditions, and local conditions, including certain regions where political and economic conditions are often subject to instability. We expect that a significant amount of our operating income and profits will continue to be



derived from our overseas projects in the foreseeable future. As a result of our overseas operations, we are exposed to various risks associated with conducting business in foreign countries and regions that include, among other factors:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, other armed conflict, regional and global political or military tensions and strained or altered foreign relations;
- abrupt changes in foreign government regulations or policies;
- expropriation and nationalization of our assets in foreign countries;
- natural disasters;
- inflation;
- currency value fluctuations and conversion restrictions;
- tax increases, confiscatory taxation or other adverse tax policies;
- governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds;
- governmental activities that may result in the deprivation of contract rights;
- governmental activities that may result in the inability to obtain or retain licenses required for operations;
- competition from other international large-scale construction companies;
- adverse labor conditions; and
- lack of a well-developed or independent legal system in the foreign countries in which we have overseas operations, which may create difficulties in the enforcement of contractual rights.

As our overseas operations are susceptible to changes in the overseas countries' respective local economic, political and regulatory environments as well as changes in global economy, a variety of factors, many of which are beyond our control, could significantly affect the profitability and growth of these operations. Any slowdown of the global economy could result in reduced infrastructure development which could in turn affect our overseas operations. In addition, we may be required to deploy management resources and personnel to high-risk areas where our overseas projects are located. As such, we may incur substantial costs to implement safety and security measures to protect our personnel and assets. Such measures may not always be adequate. Our level of exposure to certain risks varies with respect to each project, and is dependent on the particular work stage of each project. Any of the above factors could lead to, amongst others, project disruptions, losses of personnel and assets and other indirect losses, which could harm our international business operations, overall financial condition and profitability.

***We are exposed to potential risks associated with participation in government-directed projects.***

We enter into certain of our building construction contracts with governmental authorities or government-controlled entities, such as our public facilities construction projects. Changes in government budgets for public facilities projects of related industries or factors such as public expenditures and policy considerations, changes in governmental officials or policy makers or other political factors could result in changes or delays to these projects because most of these projects are funded by the government, government authorities and public organizations.

In addition, disputes with the entities established by or directed by the PRC or other governmental entities could lead to contract termination if the disputes are left unresolved or may take a considerably longer period of time to resolve than disputes with our private sector counterparties, and payments from such entities may be delayed as a result. Such entities may from time to time require the construction methods or equipment to be changed, requiring us to reconfigure our designs or purchase additional machinery and equipment, thereby subjecting us to additional costs. Changes to government budgets and policies relating to our projects could lead to delays in project completion or a withholding of, or delay in, payments to it. Government-controlled entities generally exercise substantial bargaining power in the performance of their contracts with us. If a local government-controlled entity terminates or fails to renew a contract with us, our backlog may be reduced. The

occurrence of any of these risks may have an adverse effect on our business, financial position and results of operations.

***As an A-shares listed company in China, we are subject to supervision and regulation by relevant PRC regulatory authorities and stock exchange.***

As an A-shares listed company on the SZSE, we are subject to supervision and regulation by relevant PRC regulatory authorities, including the CSRC and its competent local counterparts and the SZSE, in terms of our compliance with applicable securities laws, financial reporting standards and information disclosure obligations, among others. For example, according to A-shares listing rules and securities regulations in China, we are required to publish our quarterly, semi-annual and annual financial information and certain preliminary operating results, which may not be audited or reviewed, to satisfy our continuing disclosure obligations. For protection of investors, we are also required to make public announcements of material information pertaining to our business operations, financial condition, management and other general affairs, such as certain material transactions, related party transactions and certain information with respect to our board of directors, supervisors and senior management. In addition, we also publish voluntary announcements on the SZSE from time to time in accordance with applicable laws and A-shares listing rules. Failure to comply with these securities laws, stock exchange rules, financial reporting standards and disclosure obligations may result in administrative penalties or disciplines on us and/or our directors and senior management and may adversely affect our reputation or increase our operating cost or even expose us to investigation or litigation risks.

In recent years, the SZSE has issued several attention letters and regulatory letters to us, which are publicly available on its website. These attention letters issued by the SZSE generally include the authority's follow-up queries on our announcements and require us to make further clarification or to supplement certain disclosure. Typically, we would then publish our responses to these attention letters and make further clarifications and/or disclosures on the SZSE to satisfy our disclosure obligations. In addition, the regulatory letters issued by the SZSE mainly relate to certain investigation findings by the authority and our noncompliance with certain securities laws and stock exchange rules regarding our disclosure obligations as a listed company. For instance, the SZSE issued us (i) a regulatory letter in March 2018 regarding inappropriate scope of consolidated subsidiaries and presentation of financial information in our annual reports from 2014 to 2016; (ii) a regulatory letter in June 2018 regarding noncompliance with our disclosure obligations to publish earnings forecast in the first quarter of 2018; and (iii) a regulatory letter in May 2020 regarding noncompliance with the internal approval requirements and disclosure obligations for provision of financial support to property development project companies in which we held less than 50% equity interest from 2016 to 2019. The Jiangsu Branch of the CSRC also issued a warning notice to us in August 2018 regarding our late disclosure of a substantial equity transfer transaction related to sale of equity interest it holds in a PRC company. The SZSE also imposed disciplines on us and our directors and senior management in March 2019 regarding the aforementioned disclosure noncompliance and completion of this substantial transaction absence of our shareholders' prior approval. We endeavor to comply with PRC securities laws, stock exchange rules and other applicable laws and regulations as an A-share listed company and we have established internal control procedures and information disclosure policy accordingly. However, considering the extensive regulatory schemes and evolving regulatory developments under PRC securities law and also relevant authorities' strengthening regulation on listed companies in China, we cannot assure you that we will not be subject to any regulatory and disciplinary actions from competent PRC regulatory authorities in the future.

***We need to comply with a significant number of laws and regulations in China.***

A substantial majority of our project development projects and construction projects we undertake are located in China. Therefore, we need to comply with extensive laws and regulations governing our business and industries in China. These include laws and regulations relating to environmental protection, management and use of hazardous substances and explosives, management of natural resources, licenses over resources owned by various governments, labor and occupational health and safety standards, bribery and corruption, taxation, antitrust, and historical and cultural preservation. See "*Regulations.*"

The costs and resources associated with compliance with such laws and regulations are substantial. Any changes in the laws and regulations that we are subject to or more stringent enforcement or restrictive interpretation of current laws and regulations by governmental authorities or rulings or clearances obtained from such governmental authorities could result in (i) additional expenditure, (ii) imposition of restrictions on or suspensions of our operations and (iii) delays in the development of our expansion plans.

We are subject to extensive laws and regulations at the national and local level, which govern various aspects of our operations. Certain legal uncertainties in, and inconsistent interpretations and enforcement of,

current PRC laws and regulations expose us to the risk of noncompliance. If we fail to comply with or are deemed by the regulatory authorities to have violated such laws or regulations, we could be subject to administrative or regulatory fines and penalties, including the suspension or revocation of our licenses, and our operations may be hindered or halted, which could have a material adverse effect on our business, financial condition and results of operations. In addition, in case of noncompliance by us, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety and other impacts of our operations, and could lead to the imposition of substantial fines, penalties, other civil or criminal sanctions, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and/or orders to take preventative steps against possible future violations. As the PRC legal system will continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may also make it difficult for us to comply with the laws and regulations and may increase our compliance expenses. See *“Risks Relating to the PRC – Interpretation of the PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to us and to you.”*

***The PRC government may adopt further measures to balance growth in the property sector.***

Along with the economic growth in China, investments in the property sectors have increased significantly in the past few years. In response to concerns over the increase in property investments, the PRC government has, since 2004, introduced various policies and measures to curtail property developments, including:

- suspending land supply for villa construction and restricting land supply for high-end residential property construction;
- requiring that at least 70% of the land supply approved by any local government for residential property development during any given year must be used for developing low- to medium-cost and small- to medium-size units for sale or as low-cost rental properties;
- requiring that at least 70% of the total development and construction area of residential projects approved or constructed on or after June 1, 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 sq.m. and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to comply with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from MOHURD;
- suspending mortgage loans to purchasers for their third residential properties and beyond, and to non-local residents who have not paid local tax or social security for longer than a one-year period;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down-payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate and (iv) limiting the terms of such bank borrowings to no more than 10 years, with commercial banks allowed flexibility based on their risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down-payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;
- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- limiting the number of homes that local residents can buy in a specified period; and
- proposing to enlarge the scope of trials in levying property tax.

Although the various control measures are intended to promote more balanced property development in the long term, we cannot assure you that these measures will not adversely affect the development and sales of our properties. Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be amended and revised over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies. The PRC government could adopt additional and more stringent industry

policies, regulations and measures in the future, which could further slowdown the property development in China. Our results of operations may be materially affected by these factors. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business, reduce our sales or average selling prices, or cause us to incur additional costs, our business prospects, results of operations and financial condition may be materially and adversely affected.

***Compliance with PRC laws and regulations regarding environmental protection may cause us to incur additional construction costs and our failure to comply with any law and regulation may result in financial or legal liabilities.***

We are subject to extensive PRC laws and regulations concerning environmental protection which impose fines for violation and authorize government authorities to shut down any construction sites that fail to comply with governmental orders requiring the cessation of certain activities causing environmental damage. The application of such laws and regulations vary greatly according to a site's location, its environmental condition, present and former use, as well as the circumstances of its adjoining properties. Such variation in application may result in delays in our project completion and may cause us to incur substantial compliance and other costs and severely restrict our project development activities in certain regions or areas.

As required by PRC laws and regulations, each project we construct is required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of construction. If we fail to meet such requirements, the local authorities may issue orders to suspend our construction activities and impose a penalty no less than 1% but no more than 5% of the total investment of the construction project. We cannot assure you that we will be able to comply with all such requirements with respect to environmental assessments. In the event of a suspension of construction and/or imposition of a fine as a result of noncompliance, our financial condition may be materially and adversely affected.

In addition, there is a growing awareness of environmental issues in the PRC and we may sometimes be expected to meet more stringent standards than those under applicable environmental laws and regulations. Moreover, there can be no assurance that more stringent requirements on environmental protection will not be imposed by the relevant PRC governmental authorities in the future. If we fail to comply with existing or future environmental laws and regulations or fail to meet public expectations, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on our business, financial condition and results of operations.

***Our building construction business and property development business are subject to claims under statutorily mandated quality warranties.***

Under "Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例)", all property development companies in the PRC are obliged to ensure the quality for the properties they construct or sell. We are required to provide quality warranties to our customers. There are instances that certain of our subsidiaries received claims from our customers about the quality of our properties. We may sometimes receive quality warranties from third-party contractors we hire to construct our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the retention money retained by us is not sufficient to cover our payment obligations under the quality warranties, we could incur significant expenses to resolve such claims or face delays as a result of correcting the related defects, which could in turn harm our reputation and have a material adverse effect on our business, financial condition and results of operations.

In addition, operations at construction sites are intrinsically dangerous, involving the use of industrial machinery and the hoisting of heavy construction materials, typically within confined spaces. Construction operations may also be affected by use of various contractors and adverse weather conditions. Historically, accidents have occurred at certain of our construction sites, which we believe are attributable to inadequate attention to certain safety measures on such sites. While we continue to take steps to improve our construction management, we cannot assure you that similar accidents will not occur again in the future. Should such accidents continue to occur, we may be subjected to legal liability, prolonged negative publicity or official investigation, and we may have to stop working on construction sites for a prolonged period of time while we undertake safety checks, any of which would have a material adverse effect on our business, financial condition and results of operations.

***We may be involved in disputes, claims and litigations in our ordinary course of business.***

We may be involved in disputes, claims and litigations in the ordinary course of our business with the project owners, our suppliers, subcontractors or other parties from time to time. As of the date of this exchange offer memorandum, we are subject to enforcement proceedings by the PRC courts for over 100 litigations with a total outstanding amount of approximately RMB315.0 million. As of the same date, one of our subsidiaries has been listed as an untrustworthy executor due to its failure to honor two judgments by the PRC courts with the total outstanding amount of approximately RMB4.2 million. If we fail to honor any judgment by the PRC court, our ability to obtain any tender or new construction project might be adversely affected. As of December 31, 2021, we are involved in a total of 503 pending litigations as the relevant defendant and the total amount of subject matter of these litigations are approximately RMB1,200.2 million (US\$188.3 million). Some of these proceedings relate to contract disputes with our construction contractors over construction quality or fee payment and some of which relate to contract disputes between our construction contractors and their suppliers or subcontractors and we are involved in the litigations as relevant project owners. If we were found liable on such claims, we could be liable for significant monetary damages, as well as be subject to government sanctions, including fines and the loss of operational licenses, approvals and permits. In addition, we may be subject to lengthy and expensive litigation or arbitration proceedings if not resolved through negotiations. Further, we might suffer negative publicity resulting from such claims. If any negative publicity or reputational harm is not effectively remedied or reversed, our existing or potential customers may develop negative views of the safety and quality of our services and products, which may negatively affect our ability to maintain solid relationships with our customers, engage new customers and expand into new markets. In addition, the measures we take to remedy or reverse any negative publicity may be financially costly, force us to divert significant management attention, and may not generate the desired results. Even if we are not found liable for any of such claims, our assets may be frozen pending a court's judgment. There can be no assurance that we will not be subject to future liability claims or that our business and results of operations would not be materially and adversely affected as a result.

***We may not be able to detect or prevent fraud, money laundering or other misconduct committed by our employees, representatives, agents, customers or other third parties in our business operations in a timely manner.***

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

- hiding unauthorized or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to us in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for our customers;
- misappropriation of funds;
- conducting transactions that exceed authorized limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorized or excessive transactions to the detriment of our customers;
- making or accepting the bribery activities;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or our internal policies and procedures.

We are required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in China, Hong Kong and other relevant jurisdictions. China's anti-money laundering law requires financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering

monitoring and reporting activities. Such policies and procedures require us to, among other things, establish a customer identification system in accordance with the relevant rules, record the details of customer activities and report suspicious transactions to the relevant authorities.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of noncompliance or suspicious transactions in a timely manner if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. We cannot assure you that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it could cause negative publicity to us as a result.

***Our land appreciation tax provisions and prepayments may not be sufficient to meet our LAT obligations.***

In accordance with the current PRC laws and regulations on land appreciation tax (“LAT”), all persons, including companies and individuals, that receive income from the sale or transfer of state-owned land use rights, buildings and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property, with certain exemptions available for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the deductible items as defined in the relevant LAT regulations. Pursuant to the relevant rules issued by the State Administration of Taxation of China (中華人民共和國國家稅務總局) (“SAT”), LAT obligations must be settled with the relevant tax bureaus within specific timeframes subsequent to the delivery of the completed projects.

For the years ended December 31, 2019, 2020 and 2021, we made LAT provisions in the amount of RMB1,289.3 million, RMB1,384.1 million and RMB1,746.3 million (US\$274.0 million), respectively. In May 2010, the SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知), which requires that the minimum LAT prepayment rate be at 2% for provinces in the eastern region of China, 1.5% for provinces in the central and north-eastern regions of China and 1% for provinces in the western region of China. According to the notice, the local tax bureaus will determine the applicable LAT prepayment rates based on the types of the properties. However, there are uncertainties in the interpretation and implementation of the LAT regulations and the relevant tax authorities may change their requirements as to the amount or timing of payment of provisional LAT. Although we believe we have made sufficient prepayments and/or provisions for LAT in compliance with PRC laws and regulations as interpreted by local tax authorities, we cannot assure you that our LAT prepayments and provisions will be sufficient to cover our LAT liabilities and that the relevant tax authorities will agree with the basis on which we calculated our LAT liabilities. Our results of operations, cash flow and financial condition may be materially and adversely affected if our LAT liabilities, as finally determined by the relevant tax authorities, are substantially higher than our LAT provisions and prepayments.

***Our research and development expenses may not produce successful improvements to our services that will adequately meet the needs of our customers and be accepted by the market.***

The construction industry is constantly evolving to meet changing customer needs and demands for higher quality and innovative construction solutions. In order to maintain our competitiveness, we must continue to improve our construction methods and our technologies, as well as continue to operate in a cost-effective and timely manner. There can be no assurance that research and development efforts will be successful, be accepted by the market and/or meet the changing demands of our customers. In addition, there can be no assurance that the technologies or solutions in which we invested to develop will generate sufficient profits. Failure to meet changing customer needs and to generate sufficient profits from our research and development efforts could have a material adverse impact on our business, results of operations and ability to remain competitive in the market.

***Our operating income from building construction business is mainly derived from projects that are non-recurrent in nature, and there can be no assurance that our existing customers will engage us in future business.***

As is customary in the construction industry in which we operate, we are awarded construction projects by some of our customers on a project-by-project basis. As such, our existing customers are not obligated to award projects to us or order from us, and there can be no assurance that we will be able to secure new business from our customers despite the established and long-term relationships we may have with certain customers. In addition, some of our construction projects are transferred from our property development segment. The number of construction projects we secure is also affected by development of the property market and our business plans and strategies. As a result, our operating income from building construction business and the number of construction projects we are able to secure may vary from period to period and it is difficult to forecast the volume of our

building construction business in the future. For instance, the estimated total contract value of our newly undertaken construction projects for the year ended December 31, 2021 was approximately RMB21.3 billion, representing a decrease of approximately 30.7% as compared to 2020. The decrease was mainly attributable to recent outbreak of the COVID-19 pandemic in various regions in China and unfavorable general market conditions in the real estate sector. There can be no assurance that we will be able to secure future business from our existing customers, or that we will be able to develop relationships with new customers, in which case our business, results of operations and prospects would be materially and adversely affected.

***Our business development efforts provide no guarantee that we will be awarded projects or contracts.***

We conduct extensive sales and marketing to promote our brand awareness and to further expand our businesses in new markets. Further, we invest significant efforts to conduct detailed project analyses to prepare our bids for construction and property development projects. We do not currently charge potential customers for costs incurred in connection with our sales and marketing activities or our bid preparation, and there can be no assurance that we will be awarded construction projects or contracts. Additionally, we may commit our limited resources to pursue a potential project or customer which may not result in a successful bid on a project, ultimately at the expense of potential projects. It is possible that we may not generate sufficient operating income to offset our investment in sales and marketing efforts, in which case our business, financial condition and results of operations will be materially and adversely affected.

***Our insurance policies may not be adequate to cover all risks of loss associated with our business operations.***

We purchase and maintain insurance policies in accordance with the needs of our business and as required under the relevant laws and regulations. However, there can be no assurance that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. Consistent with customary practice in China, we do not carry any business interruption or litigation insurance policies for our operations in China. If we were to incur substantial liabilities that are not covered by our insurance policies or if we suffer protracted periods of disruptions or interruptions in our business operations, we could incur significant costs and losses that could materially and adversely affect our results of operations. In addition, the occurrence of certain incidents including earthquakes, fires, adverse weather conditions, war, floods, power outages, equipment failures, construction accidents and the consequences, damages and disruptions resulting from any of the foregoing incidents may not be covered adequately, or at all, by our insurance policies. Any uninsured loss or liabilities may cause us to incur substantial costs and the diversion of resources, which could have a material adverse effect on our operating results.

***We may be involved in intellectual property disputes and claims of infringement, which may divert our management's attention and harm our reputation and profitability.***

We rely upon a combination of patents, trademarks, domain names and contractual rights to protect our intellectual property rights. As of December 31, 2021, we owned 182 trademarks, 182 patents and three domain names in the PRC. We also possess proprietary information in connection with our operations, such as information relating to pricing, raw material procurement and construction methods. However, there can be no assurance that the steps we have taken to monitor and protect our intellectual property rights are adequate to prevent or deter infringement or other misappropriation of our intellectual property. Failure to successfully enforce our intellectual property rights would diminish our competitiveness and harm our reputation. In addition, we may be required to incur significant costs in monitoring and protecting our intellectual property. In particular, our trademarks and brand names are significant to our brand recognition and the success of our business.

We may be required to commence legal proceedings to enforce our intellectual property rights and protect our proprietary information. Conversely, we may be subject to litigation involving claims by third parties that our products or services infringe our intellectual property rights. Any litigation or claims brought by or against us, whether with or without merit, or whether successful or not, can be both costly and time-consuming and may significantly reduce our resources. An unfavorable determination in any such litigation or proceedings to which we may become a party could materially and adversely affect our business, financial condition and results of operations.

***Our inability to attract, retain or secure senior management and key personnel for our operations could hinder our continuing growth and success.***

Our success depends, to a significant extent, on the services and efforts of senior management and key personnel and our ability to continue to attract, retain and motivate key personnel. We compete with other regional and national construction companies for experienced management and qualified personnel, and the competition for



such personnel is intense. There can be no assurance that we will be able to continue to attract and retain the qualified personnel essential for our growth. The loss of services of any personnel holding an important position or possessing industry expertise or experience, including those in charge of project management, risk management, production, sales and marketing, research and development, and accounting and financial management, could have a material adverse effect on our operations. Under such circumstances, if we are unable to recruit and retain replacement personnel with the equivalent qualifications in time or at all, our growth and success could be adversely affected.

***Our risk management and internal control systems may not fully protect us against various risks inherent in our business.***

We have established risk management and internal control systems consisting of the relevant organizational framework policies, risk management policies and risk control procedures to manage our risk exposures, primarily our operational risk and legal risk. However, we may not be successful in implementing our risk management and internal control systems. While we seek to continue to enhance our risk management and internal control systems from time to time, there can be no assurance that our risk management and internal control systems are adequate or effective notwithstanding our efforts, and any failure to address any potential risks and internal control deficiencies could materially and adversely affect our business, financial condition and results of operations.

Since our risk management and internal control systems depend on the implementation by our employees, there can be no assurance that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes. For instance, we are subject to risks in relation to actions taken by us or our employees that constitute violations of the PRC anti-corruption and other related laws. There can be no assurance that our internal control system will be effective in preventing the occurrence of corruption, bribery or other illegal activities. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, our business, financial condition and results of operations could be materially and adversely affected.

***Negative publicity or damage to our business reputation may have a potential adverse impact on our business.***

We value and rely on our reputation to maintain and grow our business operations. Negative publicity associated with us could result in loss of business. We conduct business with a number of counterparties, including customers, suppliers and subcontractors. If any of such counterparties are dissatisfied with us, whether justified or not, and raises any complaint to the public, our business, brand and reputation may be adversely affected, which will in turn adversely affect our business, prospects and results of operations.

***We may experience failures in our information technology systems.***

We rely, to a large extent, on our information technology systems for daily operations. Our information technology systems are critical to our operations, including contract management, safety and quality control, documentation management, human resources and accounting and finance management. Our information technology systems also support our key operation processes, including project management, procurement and bidding. Our operating efficiency and risk management practices have been enhanced by such information technology systems. However, there can be no assurance that any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires, natural disasters and other similar events relating to our information technology systems will not happen in the future. Additionally, restoring any damaged information technology systems may incur significant costs and require additional workforce. If any serious damage or significant interruption occurs, we may experience errors in the systems and our operations may be disrupted.

***Our corporate structure, which consists of a large number of companies in similar business sectors, exposes us to challenges to integrate and manage our business.***

As of December 31, 2021, we had 850 consolidated subsidiaries, most of which operate in property development or construction related industries. We have maintained stable growth in our business scale and geographical coverage in recent years. Due to the increasing number of our subsidiaries and project companies across the PRC, we are exposed to business, market and regulatory risks associated with different regions. We need to devote substantial resources to monitor changes in different operating environments so that we can react with appropriate strategies that fit the needs of the portfolio companies affected. We also need to ensure that there will not be internal competition among our own subsidiaries and branches. If we are unable to effectively

coordinate our subsidiaries and branches, our business and financial condition may be materially and adversely affected.

***Our de facto controller has significant influence in determining the outcome of major corporate transactions that require shareholder approvals and may take actions that may conflict with the interest of the holders of the New Notes.***

As of the date of this exchange offer memorandum, Mr. Chen Jinshi is our de facto controller. Mr. Chen has the ability to exercise a controlling influence in our business, and may cause us to take actions that are not in, or may conflict with, the interests of the holders of the New Notes. Mr. Chen, through our controlling shareholder, Zhongnan Urban Construction Investment Co., Ltd. (中南城市建設投資有限公司), is able to influence our major policy decisions by controlling the election of board members and, in turn, indirectly controlling the selection of our senior management, determining the timing and amount of any dividend payments, approving annual budgets, deciding on increases or decreases in our share capital, determining our issuance of new securities, approving mergers, acquisitions and disposals of our assets or businesses, and amending our articles of association. These actions may be taken even if they are opposed by the holders of the New Notes.

***We face intense competition in real estate and construction industry, and failure to compete effectively may have a material adverse impact on our business and prospects.***

The PRC property development industry and construction industry is fragmented and competitive. As such, we face intense competition mainly from a significant number of domestic real estate and construction companies in China, particularly in Jiangsu Province, Zhejiang Province and Shandong Province. Many of our competitors have stronger capital resources, larger customer bases, stronger customer relationships, stronger brand or name recognition, greater financial, technical, marketing and public relations resources and a wider range of services and solutions than we do. Other smaller competitors may be better positioned to adapt to market trends than we are. Alliances or mergers among our competitors or with new entrants into the real estate industry and construction industry may present additional challenges. This may make it more difficult for us to compete successfully with differentiated offerings across the whole market against more specialized competitors.

Our competitiveness depends on our record of timely project delivery, efficient performance, quality of our properties and construction projects as well as our innovations and techniques. Competitive pressure may require us to reduce our prices or increase our costs and may adversely affect our profit margins. There is no assurance that our efforts in achieving competitive advantage in any of the foregoing factors may not be successful. Any failure to compete effectively could materially and adversely affect our business, prospects, financial condition and results of operations.

***We may not be able to successfully identify, acquire, invest in or operate suitable acquisition targets or businesses.***

We have expanded our business operations and increased land reserves through a number of acquisitions. We may not be able to identify acquisition targets or investment projects that suit our development plans. Even if we do identify suitable investment projects or acquisition targets, there can be no assurance that we will be able to complete the acquisitions and/or investments within the timeframe or budget as we anticipated, or at all. Completion of proposed investments and/or acquisitions is dependent upon the completion of due diligence and the negotiation of definitive agreements, and there can be no assurance that all or any of the proposed transactions will be consummated on commercially acceptable terms, if at all. The successful acquisition of businesses with good prospect requires an assessment of a number of factors, many of which are inherently inexact and may prove to be inaccurate. In connection with acquisitions, we may assume liabilities that were not disclosed to or known by us or that exceed our estimates. Our assessments of potential acquisitions may not reveal all existing or potential problems, nor may such assessments render us sufficiently familiar with the businesses to fully assess our respective strengths and weaknesses.

In identifying acquisition targets, investment projects or businesses with high-growth opportunities, we may decide to acquire only a non-controlling interest in other entities and may not necessarily embark on new business lines. Such growth opportunities involve additional risks because we may not have a good understanding of our business partners and/or have any proven track record in operating the new businesses. On the other hand, we may encounter difficulties in managing investment projects even if we have more control. The successful integration of an acquired business may be affected by the size and complexity of the acquired business and the execution of the integration plan by local management. We may face unexpected delays or encounter difficulties that may

require us to allocate additional resources to deal with such problems. As a result, we may not be able to operate any such acquired businesses profitably.

***We do not have operational control over entities and strategic alliances in which we hold a minority interest, and the conduct of the controlling shareholder or other major shareholders in such arrangements may adversely affect the value of our investment.***

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

***The presentation of certain accounting items in our audited consolidated financial statements as of and for the years ended December 31, 2020 and 2021 may not be comparable to the financial information in our audited consolidated financial statements for the previous periods.***

In 2017, the Ministry of Finance issued the New Revenue Standards. Our board of directors had approved the adoption of the New Revenue Standards since January 1, 2020. Our audited consolidated financial statements as of and for the year ended December 31, 2020 were prepared and presented in accordance with the New Revenue Standards. As a result, the presentation of certain accounting items in our audited consolidated financial statements as of and for the year ended December 31, 2020 may not be comparable to the financial information in our audited consolidated financial statements for the previous periods. For details of the New Revenue Standards and its impact on our audited consolidated financial statements as of and for the year ended December 31, 2020, please see “*Note III.37 – Changes in accounting policies and accounting estimates*” to our audited consolidated financial statements as of and for the year ended December 31, 2020. In 2018, the Ministry of Finance issued the New Lease Standards. Our board of directors had approved the adoption of the New Lease Standards since January 1, 2021. Our audited consolidated financial statements as of and for the year ended December 31, 2021 were prepared and presented in accordance with the New Lease Standards. As a result, the presentation of certain accounting items in our audited consolidated financial statements as of and for the year ended December 31, 2021 may not be comparable to the financial information in our audited consolidated financial statements for the previous periods. For details of the New Lease Standards and its impact on our audited consolidated financial statements as of and for the year ended December 31, 2021, please see “*Note III.38 – Changes in accounting policies and accounting estimates*” to our audited consolidated financial statements as of and for the year ended December 31, 2021. There can be no assurance that the Ministry of Finance will not promulgate other new accounting standards or requirements in relation to financial statements which might affect our accounting policies or the presentation of our financial statements in the future.

***Our auditor has received regulatory investigations and/or warning notices issued by relevant PRC regulatory authorities in recent years.***

Grant Thornton, our independent auditor, is a registered accounting firm in the PRC supervised by relevant PRC regulatory authorities, including the MOF and the CSRC. Various branches of the CSRC have issued warning notices to Grant Thornton and their relevant accounting personnel in performing its audit services for relevant PRC companies in recent years. For instance, the CSRC issued (i) a warning notice [CSRC (2019) No.43] to Grant Thornton and their relevant accounting personnel in August 2019 in respect of not performing additional audit procedures on identified abnormality issues when issuing the 2016 and 2017 annual audit reports of a PRC fire-fighting company, which violated the provision of rule 15 of China Standards on Auditing No. 1301 – Audit Evidence; and (ii) a warning notice [CSRC(2020) No.8] to Grant Thornton and its relevant accounting personnel in March 2020 in respect of not performing additional audit procedures on identified abnormality issues when issuing the 2017 and 2018 annual audit reports of a PRC forestry company, which violated the provision of rule 10 of China Standards on Auditing No. 1301 – Audit Evidence and rule 13 of China Standards on Auditing No. 1312 – Confirmation. According to Grant Thornton, the CSRC warning notices are not related to the Grant Thornton team serving as our auditor. The CSRC warning notices do not (i) disqualify the Grant Thornton team from participating in this offering as our auditor; (ii) have any impact on Grant Thornton’s unqualified audit opinions for our financial statements as of and for the years ended December 31, 2020 and 2021; or (iii) have any impact on Grant Thornton in continuing to provide audit services to us.

We cannot assure you that Grant Thornton's historical noncompliance incidents or any future regulatory actions imposed on it would not subject it, any of its management, officers or employees to further penalties or sanctions imposed by the PRC authorities or even to the suspension of its relevant practices or audit services by the MOF and/or the CSRC. Certain of such further sanctions, revocations and suspensions may restrict Grant Thornton from providing audit services to us. In that case, we may have to discontinue our engagement with Grant Thornton and seek the appointment of other auditors.

### **Risks Relating to the PRC**

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

The economy of China experienced rapid growth in the past 30 years. However, there has been a slowdown in the growth of China's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of China may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2019 and 2020 slowed down to 6.1% and 2.3%, respectively. In 2020, China's GDP shrank by 3.5 per cent. year-on-year, as a result of the outbreak of the COVID-19 pandemic and large-scale quarantine and shutdown measures implemented by the PRC government. In 2021, the annual growth rate of China's GDP increased to 8.1%. Given the continuous spread of COVID-19 globally and the evolving impact of the pandemic on the global economy, the full recovery of PRC economic growth still remains uncertain.

The future performance of China's economy is not only affected by the economic and monetary policies of the Chinese government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. For example, there has been trade tensions between China and the United States with both countries imposing tariffs on certain products imported from each other since second half of 2018. Negotiations have been carrying out between the two countries on future trade relations and they entered into the phase one U.S.-China trade agreement on January 15, 2020. The resulting trade policies or the terms of any renegotiated trade agreements and their impacts are uncertain. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental actions related to tariffs, trade agreements or policies may adversely impact China's economy, which in turn could adversely impact our business, financial condition and results of operations. In addition, the United Kingdom voted in a national referendum to leave the European Union on June 23, 2016, notified the European Council of its intention to leave the European Union in accordance with Article 50(2) of the Treaty on European Union on March 29, 2017, and officially left the European Union on January 31, 2020 ("Brexit"). The United Kingdom continued to participate in certain European Union organizations (such as the customs union) during a transition period that ended on December 31, 2020. With Brexit taking full effect, there remains uncertainty about the future relationship between the United Kingdom and the European Union. Although a new trade and cooperation agreement between the United Kingdom and the European Union was agreed upon on December 24, 2020 and will apply on a provisional basis for a limited time until April 30, 2021, it is unclear how Brexit would ultimately affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and the rest of the world. In addition, the Russo-Ukrainian conflict has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and gas and other commodities and this volatility may persist for some time. The outlook for the world and China's economy and financial markets remains uncertain. Any volatility in the global or Chinese markets and negative economic developments may adversely affect the property market in China, which could in turn materially adversely affect our business, results of operations, financial condition and prospects.

In March 2020, U.S. stocks plunged and triggered trading halt for several times due to global economic uncertainty caused by the global outbreak of COVID-19 and/or oil shocks. Volatility in global stock markets may result in adverse change in global economy. Economic conditions in the PRC are also sensitive to global economic conditions. Due to the outbreak of COVID-19, it is unclear whether future development of the PRC economy will experience difficulty and whether any global economy downturn could lead to a slowdown in the PRC economic growth. A reduction in liquidity in the global and PRC financial markets may negatively affect our access to financing resources and liquidity. Therefore, instability in the global and PRC economy may materially and adversely affect our business, financial condition and results of operations.

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

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

- the amount and degree of government involvement;
- growth rate and degree of development;
- uniformity in the implementation and enforcement of laws;
- control over capital investment;
- control of foreign exchange; and
- allocation of resources.

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

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

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

The global credit markets have experienced significant volatility, such as those caused in recent years by the global financial and economic crisis, including the European debt crisis, the potential withdrawal of countries from the Euro-zone and volatility in the PRC stock market, which have led to less favorable financial and economic conditions. In particular, there has been significant volatility in the PRC stock markets during the second half of 2015 and the PRC government taking unprecedented steps to support the markets. In Europe, Brexit is expected to increase market volatility. Any volatility or deterioration in the economic conditions in the United States, the United Kingdom, the European Union, the PRC or elsewhere may have and may adversely affect our business, financial condition and the results of our operations and our ability to access the capital markets. The slowdown in the economies of the United States, the European Union and certain Asian countries with which the PRC has important trade relationships or any future calamities may materially and adversely affect the economic growth of the PRC.

On the other hand, rapid economic growth can lead to growth in money supply and inflation. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. To control inflation in the past, the PRC government has imposed control on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such austerity measures can lead to a slowdown in the economic growth. Recently, there have been growing concerns about the volatility of the Chinese economy and the adjustments of Chinese fiscal policies. For example, after a rapid surge from the second half of 2014 to early June 2015, the Chinese domestic equity markets experienced sharp declines and severe volatility beginning from June 13, 2015. The Chinese government has taken monetary

and regulatory measures to stabilize the market, including measures affecting market liquidity, new equity offering pipelines and trading activities of certain market participants. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, the real estate market in the PRC, which may lead to a decline in the general demand for our construction services. Any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. If the global economic slowdown and financial crisis continue or become more severe than currently anticipated, or if the PRC economy continues to slow down, our business, results of operations, financial condition and prospects could be materially and adversely affected.

***It may be difficult to effect service of legal process and enforce judgments obtained from non-PRC courts against us or our directors, supervisors or senior management residing in China.***

We are a joint stock company incorporated in China. A substantial part of our assets are located in China and the majority of our directors, supervisors and senior management currently reside in China. Therefore, it may be difficult or impossible to effect service of process within the United States, Hong Kong or elsewhere outside China upon our directors, supervisors, senior management or us, including in respect of matters arising under U.S. federal securities laws or applicable state securities laws. A judgment of a court of another jurisdiction may only be reciprocally recognized or enforced if the jurisdiction has a treaty with China or if there are reciprocal relationships between China and such jurisdiction. China has not entered into treaties with most other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions related to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

***If the Issuer is considered a “resident enterprise” under the EIT Law, this status could result in unfavorable tax consequences to us and non-PRC noteholders.***

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

If the PRC tax authorities determine that the Issuer is a “resident enterprise” for EIT purposes, a number of unfavorable PRC tax consequences could follow. The Issuer will be subject to EIT at a rate of 25% on its worldwide taxable income as well as PRC EIT reporting obligations if it is considered as a “resident enterprise” for EIT purposes. This would mean that income such as interest from any investment and other income sourced from outside the PRC would be subject to PRC EIT at a rate of 25%. In addition, payments in respect of and sales of New Notes may be subject to PRC tax as described under “Interest paid by us to our foreign investors and gain on the sale of our New Notes may be subject to withholding taxes under PRC tax laws.”

***The replacement of business tax with value-added tax in the PRC could have an adverse effect on our financial condition and results of operations.***

Pursuant to the Notice on Adjustment of Transfer 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) issued on March 23, 2016 and implemented on May 1, 2016 (“**Circular 36**”) by the MOF and the PRC State Administration of Taxation (“**SAT**”), and partly amended by MOF, SAT and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019 effective from May 1, 2016, PRC tax authorities have started imposing value-added tax (“**VAT**”) on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, to replace the business tax that co-existed with VAT for over 20 years. Since the issuance of Circular 36, MOF and SAT have subsequently issued a series of tax circulars in March and April 2016 to implement the collection of VAT on revenues from construction, real estate, financial services and lifestyle services. For detailed information regarding the major tax types and rates we are subject to, see “*Note V.46 – Taxes and surcharges*” to our audited consolidated financial statements as of and for the year ended December 31, 2020 and “*Note V.48 – Taxes and surcharges*” to our audited consolidated financial statements as of and for the year ended December 31, 2021.

Replacing business tax with VAT is a structural tax-cutting arrangement that the PRC plans to promote, and its main purpose is to solve double taxation and reduce the tax burdens of enterprises by allowing for the deduction of input tax on VAT. However, due to reasons, such as differences in different industries in the

deductible amount of the input tax and the deduction method thereof, the tax burden of enterprises in some industries has increased in practice while the tax burden of enterprises in some other industries has decreased. For example, in the construction engineering industry, the tax burden of the enterprises may be increased for various reasons, such as the existence of non-deductible input tax, the difference between the VAT rates in upstream and downstream market segments, special arrangements for project operation structures, and delay in the collection of construction bills. As of the date of this exchange offer memorandum, we have not experienced any material change in terms of our tax burden and financial conditions due to the transition from business tax to VAT tax. However, since the replacement of business tax by VAT in the real estate and construction industries is relatively recent and the detailed implementation rules under Circular 36 are still being formulated and revised by the relevant authorities, we are still in the process of assessing the comprehensive impact of the new VAT regime on our tax burden, our operating income and results of operations, which remains uncertain.

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

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

***The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God and occurrence of epidemics including the recent COVID-19 pandemic.***

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome (SARS), H5N1 or H7N9 avian flu, the human swine flu (also known as Influenza A (H1N1)), Middle East Respiratory Syndrome (MERS), Ebola virus disease, or 2019-nCoV acute respiratory disease (COVID-19). The outbreak of COVID-19 in late December 2019 in Wuhan, China has spread to other countries and regions of the world since early 2020 and was declared a pandemic on March 11, 2020 by the World Health Organization. Various countries, including China, have adopted strict disease control measures and travelling restrictions. Particularly, the administrative actions taken by local governments in China, such as housing authorities, to control the spread of COVID-19 had an adverse impact on China's property development sector in early 2020. For example, on January 26, 2020, the China Real Estate Association (中國房地產業協會) proposed that property developers shall temporarily suspend operation of their offline sales offices, which had been implemented by local housing authorities in various provinces and cities in China. Such negative impact and measures taken by the local governments resulted in a slowdown in China's property market in the first quarter of 2020 and in 2021.

The recent outbreak of COVID-19, a recurrence of SARS or an outbreak of any other epidemics or other natural disasters in China, especially in the cities where we have operations, may result in material disruptions to our construction work and sales and marketing, which in turn may adversely affect our financial condition and results of operations. In addition, the outbreak of communicable diseases, such as the recent outbreak of COVID-19, on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect China's and other economies. Such outbreak has resulted in restrictions on travel and public transportation and prolonged closures of workplaces, which may have a material adverse effect on the global economy. Any material changes in the financial markets, China's economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations.

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

Substantially all of our operating income is denominated in Renminbi. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including interest payments on the New Notes.

Currently, Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to Chinese foreign exchange laws and regulations which would affect exchange rates and our foreign exchange transactions. Although transactions conducted through our current account are not subject to prior approval by the SAFE under the current foreign control system in China, the Chinese Government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, we might not be able to settle payments owed to overseas suppliers or pay dividends to the holders of the New Notes in foreign currencies. On the other hand, foreign exchange transactions under capital account in China continue to be not freely convertible and require the SAFE's prior approval. These limitations could affect our ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

There can be no assurance that China's policies regarding foreign exchange transactions under the current account and the capital account will continue in the future. These foreign exchange policies may restrict our ability to obtain sufficient foreign exchange, which could have an effect on our foreign exchange transactions and the fulfilment of our other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange where such needs arise, our business, financial condition and results of operations could be adversely affected.

***Inflation in China may have a material adverse effect on our business, financial condition and results of operations.***

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographic areas of the country. Rapid economic growth can lead to growth in money supply and inflation. If the increase in cost of raw materials outpaces the increase in the contracting fees we charge our customers, our business, financial condition and results of operation may be materially and adversely affected. To control inflation in the past, the PRC government has imposed control on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such austerity measures can lead to a slowdown in the economic growth and may materially and adversely affect our business, financial condition and results of operations.

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

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

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

In addition, risk of property over-supply is increasing in parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived oversupply, property prices may fall significantly and operating income and profitability of property developers in China, including us, might be adversely affected.

***We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and the selected PRC regional data contained in this exchange offer memorandum.***

Facts, forecasts and other statistics in this exchange offer memorandum relating to China, the PRC economy and the selected PRC regional data have been derived from various official or other publications available in China and may not be consistent with other information compiled within or outside China. However, we cannot guarantee



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

### **Risks Relating to the New Notes and the Parent Guarantee**

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

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

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

The New Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the New Notes unless it has the expertise (either alone or with a financial advisor) to evaluate how the New Notes will perform under changing conditions, the resulting effects on the value of the New Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the New Notes are legal investments, (ii) the New Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase of any New Note. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the New Notes under any applicable risk-based capital or similar rules.

#### ***The New Notes and the Parent Guarantee are unsecured obligations.***

As the New Notes and the Parent Guarantee are unsecured obligations of the Issuer and the Parent Guarantor, respectively, the repayment of the New Notes and payment under the Parent Guarantee may be adversely affected if:

- the Issuer or the Parent Guarantor enters into bankruptcy, liquidation, reorganization or other winding-up proceedings;

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

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

***Certain major terms of the New Notes Indenture may be modified, amended or waived with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes, which may adversely affect the interest of the holders of the New Notes and increase the credits risks of the New Notes.***

Typically certain major terms of an indenture may only be modified, amended or waived with the consent of all holders of the outstanding notes. However, as part of the purpose of the Exchange Offers is to improve our overall financial condition, the New Notes Indenture allows modification, amendments or waivers of certain major terms to be made with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes, including among others, the waiver of payment defaults, the reduction of the principal amount of, or premium, if any, or interest on, any New Note, except as provided in the New Notes Indenture. In addition, with respect to certain provisions regarding Change of Control Offer, SAFE Noncompliance Offer, Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, holders of not less than 75% in aggregate principal amount of the outstanding New Notes are able to reduce the amount payable thereunder or change the time or manner by which a Change of Control Offer, a SAFE Noncompliance Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the New Notes must be repurchased pursuant to a Change of Control Offer, a SAFE Noncompliance Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale. Such provisions would reduce the protection afforded to the holders of the New Notes and potentially increase the credits risks of the New Notes.

***The Issuer is an indirect, wholly owned subsidiary of the Parent Guarantor and currently does not have operating activities or revenue, therefore its ability to make payments under the New Notes are dependent upon cash flow from other members of our Group.***

The Issuer is an indirect, wholly owned subsidiary of the Parent Guarantor formed for the principal purpose of issuing the New Notes and currently does not have any operating activities or revenue. The Issuer therefore depends upon the receipt of sufficient funds from other members in our Group to meet its obligations under the New Notes. The Issuer's primary assets will be intergroup loans to other members of our Group. Accordingly, the Issuer's ability to pay principal and interest on the New Notes will depend upon its receipt of principal and interest payments on the intergroup loans from such borrowing subsidiaries and the ability of the Parent Guarantor to honor its obligations under the Parent Guarantee. As a result, the weakened financial performance and cash flow of our Group may adversely affect our ability to make punctual payment under the New Notes, and may make it difficult for us to repurchase the New Notes upon the occurrence of certain triggering events.

***The events of default provisions under the New Notes carve out any of the Excluded Indebtedness (as defined in the New Notes Indenture) under the cross-default events, certain final judgments and orders and insolvency proceedings.***

As part of the purpose of the Exchange Offers is to improve our overall financial condition, the events of default provisions under the New Notes carve out any cross-default events arising directly or indirectly from any default or event of default that occurs as result of any default or event of default under the Old Notes, and also carve out certain final judgments and orders and insolvency proceedings in relation to the Excluded Indebtedness. Holders of the New Notes may face more uncertainty and potentially higher credit risk in this regard if any of such default or failure of payment occurs with respect to our other indebtedness, including the Old Notes, as we have to settle or repay such indebtedness and payment of money for judgments and orders, but holders of the New Notes will continue to hold the New Notes without recourse to any cross-default or event of default relating to certain judgments or orders and insolvency proceedings.

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

The Parent Guarantor is a holding company and conducts a substantial part of our operations through our PRC subsidiaries. The New Notes will not be guaranteed by any current or future PRC subsidiaries. The primary assets of the Parent Guarantor are ownership interests in our PRC subsidiaries. Accordingly, our ability to pay

principal and interest on the New Notes and the ability of the Parent Guarantor to satisfy its obligations under the Parent Guarantee will depend upon distributions of dividends from our subsidiaries.

Creditors, including trade creditors, of our Non-Guarantor Subsidiaries and any holders of preferred shares in such entities would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the New Notes. As a result, our payment obligations under the New Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the New Notes. As of December 31, 2021, we had bills payable and accounts payable of RMB48,508.5 million (US\$7,612.0 million), total indebtedness (comprising short-term loans, non-current liabilities due within one year (excluding lease liabilities due within one year), long-term loans and bonds payable) of approximately RMB62,107.6 million (US\$9,746.0 million) and outstanding related party guarantee, where we acted as a guarantor under relevant financing agreements, in a total amount of RMB10,990.9 million (US\$1,724.7 million). The New Notes and the New Notes Indenture permit us, the Parent Guarantor, and our PRC subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. The New Notes and the New Notes Indenture do not restrict the ability of our subsidiaries to issue certain categories of guarantees in the ordinary course of business. In addition, secured creditors of the Parent Guarantor or those of any subsidiary would have priority as to the assets of the Parent Guarantor or such subsidiary securing the related obligations over claims of holders of the New Notes.

***Amendments and waivers may be made in respect of the New Notes, the New Notes Indenture and the Parent Guarantee by the New Notes Trustee or less than all of the holders of the New Notes.***

The terms of the New Notes provide that the New Notes Trustee may, without the consent of noteholders, amend any provision of the New Notes, the New Notes Indenture and the Parent Guarantee to cure defects and inconsistencies, comply with procedural and administrative requirements, or make other changes that do not materially and adversely affect the rights of any holders of the New Notes. In addition, the New Notes Trustee may, with the consent of the majority of holders of the New Notes, amend or waive future compliance by the Parent Guarantor or any of its Restricted Subsidiaries with any provision of the New Notes, the New Notes Indenture and the Parent Guarantee (other than in respect of certain reserved matters), which will be binding on all holders of the New Notes. In such circumstances, the decision of the majority of holders of the New Notes may be adverse to the interest of individual or minority holders of the New Notes and the recourse available to individual or minority holders of the New Notes may be limited.

***We have substantial indebtedness, including that under bank and other borrowings, medium term notes, and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations.***

We now have, and will continue to have after the offering of the New Notes, a substantial amount of indebtedness. Our total indebtedness was RMB70,592.3 million, RMB79,901.1 million and RMB62,107.6 million (US\$9,746.0 million) as of December 31, 2019, 2020 and 2021, respectively. For more details, please see "Description of Material Indebtedness and other Obligations."

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

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

In the future, we may from time to time incur substantial additional indebtedness (including bank borrowings and/or onshore or offshore bond offerings) and contingent liabilities. Under the New Notes Indenture, our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the New Notes includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenants could be substantially larger when compared to certain other similarly situated PRC senior notes issuers whose covenants do not typically include such unrealized gains in the definition of consolidated net income. In addition, because our definition of Consolidated Interest Expense for the New Notes excludes the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense has become payable by us), our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to certain other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

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

In addition, the terms of the New Notes Indenture governing the New Notes prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We might not be able to meet these ratios. Certain of our existing financing arrangements also impose operating and financial restrictions on our business. See the section headed “*Description of Material Indebtedness and other Obligations.*” Such restrictions in the New Notes 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 required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the New Notes and other debt.

***To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.***

Our ability to make payments on and to refinance our indebtedness, including these New Notes, and to fund planned capital expenditures and project development will depend on our ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Our business might not generate sufficient cash flow from operations to enable us to pay our indebtedness, including the New Notes, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including the New Notes, on or before maturity. We might not be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we are unable to service our indebtedness or obtain refinancing on terms acceptable to us, we may be forced to adopt an alternative strategy that may include reducing or delaying capital expenditures, selling assets or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

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

The Issuer currently does not have substantial business operation, and does not plan to so in the near future. As a result, we depend on the receipt of dividends and the interest and principal payments on intercompany loans

or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations. If we are unable to receive dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, we may not be able to meet our obligations under the New Notes. The ability of our subsidiaries to pay dividends and to make payments on intercompany loans or advances to their shareholders is subject to, among other things, their distributable earnings and cash flow conditions, restrictions contained in the articles of association and the financing agreements entered into by our subsidiaries and applicable laws. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to satisfy our obligations under the Parent Guarantee. Further, some of our subsidiaries are restricted from distributing dividends until their existing indebtedness is paid off and they start to generate profit. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the New Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the New Notes and the obligations of the Parent Guarantor under the Parent Guarantee.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. 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. As a result of such restrictions, there could be limitations, including timing limitations, on our ability to receive payments from our PRC subsidiaries to meet our payment obligations under the New Notes and the obligations under the Parent Guarantee and there could be restrictions on payments required to redeem the New Notes at maturity or as required for any early redemption.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the New Notes or the obligations of the Parent Guarantor under the Parent Guarantee.

***Under PRC regulations, we may not be able to transfer to the Company and/or our PRC subsidiaries proceeds from this offering, which could impair our ability to make timely payments of interest, or even principal, under the New Notes.***

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to companies incorporated in China are considered foreign debt, and such debt must be registered with the appropriate local branch office of SAFE. In addition, equity contributions by the Issuer and the Parent Guarantor's non-PRC subsidiaries to our PRC subsidiaries will require filing with the local branch of SAFE and the Ministry of Commerce of the PRC (中華人民共和國商務部) ("MOFCOM"), which may take considerable time and result in delays in receiving the contribution. This may in turn adversely affect the financial condition of the PRC subsidiaries and cause delays to the developments undertaken by such PRC subsidiaries. We may not be able to obtain the necessary approvals for our PRC subsidiaries at all. Further, we cannot assure you that the PRC government will not introduce new policies that could further restrict our ability to use funds raised outside China. Therefore, we may not be able to use all or any of the funds that we raise outside China as intended.

***Fluctuations in the value of the Renminbi may have a material adverse impact on your investment.***

Substantially all of our revenue and expenditures are denominated in Renminbi, while any interest we pay on the New Notes will be in U.S. dollars. Fluctuations in the exchange rate between the Renminbi and U.S. dollars will affect the relative purchasing power in Renminbi. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to U.S. dollars would affect our financial results in U.S. dollars terms without giving effect to any underlying change in our business or results of operations. Moreover, because the functional currency of the Parent Guarantor and all of its subsidiaries is the Renminbi, the balance and certain amounts due to related parties denominated in a foreign currency are subject to translation at each reporting date, which could affect our business, financial condition and results of operations. 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. Since July 2005, the Renminbi has not been pegged to the U.S. dollars. In August 2015, the Renminbi experienced a substantial devaluation as a result of adjustments made by the People's Bank of China to the reference Renminbi to U.S. dollar exchange rate. The Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

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

Under the PRC EIT Law and PRC Individual Income Tax Law, if the Issuer is deemed a PRC tax resident enterprise, the interest paid on the New Notes may be considered to be sourced within China. Subject to the provisions of any applicable income tax treaties or agreements, such interest paid by us to investors will be subject to a withholding of PRC income tax at a rate of 10% in the case of nonresident enterprises or 20% in the case of nonresident individuals. Such “nonresident enterprise” refers to investors who do not have an establishment or place of business in China or, if there is such establishment or place of business in China, such income is not effectively connected with such establishment or place of business in China. Such “nonresident individuals” refer to individuals who have no domicile and do not stay in the territory of China or who have no domicile but have stayed in the territory of China for less than one year shall pay individual income tax in accordance with the provisions of this Law for their incomes obtained in the territory of China. In addition, if the Issuer is treated as a PRC resident enterprise, any gain realized on the transfer of the New Notes by such investors will be subject to PRC income tax if such gain is regarded as income derived from sources within China. It is uncertain whether the Issuer will be considered a PRC “resident enterprise,” so it is unclear whether the interest paid to the foreign investors, or the gain the foreign investors may realize from the transfer of the New Notes, would be treated as income sourced within China and be subject to PRC tax. Payments under the Parent Guarantee of the New Notes will be subject to withholding tax at the above-mentioned rates, as the Parent Guarantor is a PRC incorporated company. If the Issuer or the Company is required under the PRC EIT Law or PRC Individual Income Tax Law to withhold PRC income tax on the interest paid to the foreign investors who are “nonresident enterprises” or “nonresident individuals”, it will be required, subject to certain exceptions, to pay such additional amounts as are necessary to ensure receipt by the holder of the full amount which the holder would have received but for such withholding. The requirement to pay additional amounts will increase the cost of servicing interest payments on the New Notes and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the New Notes, as well as our profitability and cash flows. In addition, if you are required to pay PRC income tax on the transfer of our New Notes, the value of your investment in our New Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC “resident enterprise,” holders of our New Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

Effective from May 1, 2016, China’s tax authorities impose VAT on revenues from various service sectors, including financial services. According to Circular 36 issued on March 23, 2016, persons providing loans within the PRC or to PRC persons are subject to VAT. It is further clarified under Circular 36 that “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Therefore, because the Parent Guarantor is a PRC company, it may be required to withhold VAT and surcharges at the rate of 6.72% from any interest it pays under the Parent Guarantee. In addition, it is not clear whether the Issuer or the Parent Guarantor may also be required to withhold VAT if the PRC tax authorities view the interest they pay as income arising within the territory of the PRC.

***We may redeem the New Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts as a result of future changes in law.***

As described under “Description of the New Notes - Redemption for Taxation Reasons,” in the event we are required to pay additional amounts as a result of future changes in specified tax law or future changes in the existing official position or the stating of an official position regarding the application or interpretation of such law tax that results in our being required to withhold tax on interest payments due to our being treated as a PRC resident enterprise, we may redeem the New Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

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

As the Issuer is incorporated under the laws of the BVI and the Parent Guarantor is incorporated under the laws of the PRC, an insolvency proceeding relating to us, would likely involve the insolvency laws of the BVI

and/or the PRC, the procedural and substantive provisions of which may differ from comparable provisions of other jurisdictions with which the holders of the New Notes are familiar.

We conduct substantially all of our business operations in China through PRC-incorporated subsidiaries. The Parent Guarantor and certain of our PRC subsidiaries, 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. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the New Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

***We may be unable to obtain and remit foreign exchange. If we fail to complete the SAFE registration in connection with the Parent Guarantee in time there may be logistical hurdles for cross-border payment under the Parent Guarantee.***

The Issuer is a BVI business company incorporated with limited liability in the BVI. The Issuer's ability to satisfy its obligations under the New Notes depends upon, among other things, the ability of the Parent Guarantor and our PRC subsidiaries to obtain and remit sufficient foreign currency to pay interest and principal on intergroup loans. 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 PRC, including evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any intergroup loan we make to our PRC subsidiaries, the PRC subsidiary must also present evidence of payment of withholding tax at a rate of 10% or a lower tax treaty rate, if any, on the interest payable in respect of such intergroup loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on intergroup loans, which may affect our ability to satisfy our obligations under the New Notes.

Pursuant to the Parent Guarantee executed by the Parent Guarantor, the Parent Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all sums expressed to be payable by the Issuer under the New Notes. The Parent Guarantor is required to submit the Parent Guarantee to the local SAFE for registration in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on Cross-border Security. Although the non-registration does not render the Parent Guarantee ineffective or invalid under the PRC law, SAFE may impose penalties on the Parent Guarantor if registration is not carried out within the stipulated time frame. In addition, if the Parent Guarantor fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Parent Guarantor under the Parent Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Parent Guarantee in order to effect such remittance, although this does not affect the validity of the Parent Guarantee itself.

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

We must offer to purchase the New Notes upon the occurrence of certain types of Changes of Control at a purchase price equal to 101% of their respective principal amount plus accrued and unpaid interest. See the section headed "*Description of the New Notes.*"

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

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



Notes to require us to purchase its notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

***We may not be able to redeem the New Notes upon the occurrence of a SAFE Noncompliance Event.***

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

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

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

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

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

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

We may need to make investments from time to time in Unrestricted Subsidiaries and joint ventures (including joint ventures in which we may own more or less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. Although the New Notes 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 not to exceed the greater of U.S.\$20 million and 5% of Total Assets. See “Description of the New Notes.”



***The terms of the New Notes permit us to pay substantial amount of dividends.***

We pay dividends to our shareholders from time to time. Under the New Notes Indenture, any such dividend payment will be a “Restricted Payment,” which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and qualifications. Under the terms of the New Notes, we may pay dividends on our common stock in an aggregate amount up to 30.0% of the distributable profits of the Parent Guarantor in such fiscal year without satisfying the Fixed Charge Coverage Ratio. In addition, there are also other exception which may allow us to pay additional dividends with such exceptions, we may be able pay substantial amount of dividends even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the New Notes.

***A trading market for the Additional New Notes may not develop and a few investors may purchase a significant percentage of the aggregate principal amount of the Additional New Notes offered, and there are restrictions on resale of the Additional New Notes.***

The Original New Notes are listed on the SGX-ST and application will be made to SGX-ST for the listing of and quotation for, the Additional New Notes on the Official List of the SGX-ST. However, we cannot assure you that we will obtain or be able to maintain a listing on SGX-ST, or that, if listed, a liquid trading market will develop. In addition, the Additional New Notes may be allocated to a limited number of investors, in which case liquidity of the Additional New Notes may be limited. Furthermore, holders of a significant percentage of the aggregate principal amount of the New Notes will have certain rights under the New Notes Indenture and the New Notes. Accordingly, if a few investors purchase a significant percentage of the Additional New Notes, even if less than a majority, they will be able to exercise such rights on behalf of all holders of the Additional New Notes and significantly influence the outcome of the voting on matters related to the Additional New Notes. In addition, the Additional New Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Additional New Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See the section headed “*Transfer Restrictions.*” If an active trading market does not develop or is sustained, the market price and liquidity of the Additional New Notes could be adversely affected.

***We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, and such standards may be different from those applicable to debt securities listed in certain other jurisdictions***

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

***Our corporate ratings may be lowered or withdrawn in the future.***

The Additional New Notes will not be rated. Moody’s has recently downgraded our long-term corporate credit rating to “B3” with a negative outlook by Moody’s. See “*Summary – Recent Developments*”. A rating may not remain for any given period of time and could be lowered or withdrawn entirely by the rating agency. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We have no obligation to inform holders of the Additional New Notes of any such revision, suspension or withdrawal. A reduction, suspension or withdrawal at any time of the rating assigned to us may adversely affect the market price of our debt securities.

***The New Notes may be redeemed by the Issuer prior to maturity.***

The New Notes are subject to optional redemption by the Issuer at certain redemption price. An optional redemption feature is likely to limit the market value of the New Notes. During any period when the Issuer may elect to redeem New Notes, the market value of the New Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem New Notes when its cost of borrowing is lower than the interest rate on the New Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the New Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***The New Notes may be redeemed at the Issuer's option for taxation reasons.***

The Issuer has the right to redeem the New Notes, in whole but not in part, at their principal amount together with any unpaid accrued interest thereon to the date fixed for redemption if it (or, if the Parent Guarantee was called, the Parent Guarantor) has or will become obligated to pay Additional Amounts. See “*Description of the New Notes – Redemption for Taxation Reasons*” in this exchange offer memorandum. The date that the Issuer elects to redeem the New Notes may not accord with the preference of individual holders, which may be disadvantageous to holders in light of market conditions or the individual circumstances of the holder of the New Notes. Additionally, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective yield at the same level as that of the New Notes.

***The Issuer may issue additional New Notes in the future.***

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

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

The price and trading volume of the New Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, proposals for new investments, strategic alliances and acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the New Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the New Notes.

***Certain facts and statistics are derived from publications not independently verified by us, the Dealer Managers or our or their respective advisors.***

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

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

There may be less publicly available information about companies listed in the PRC than is regularly made available by public companies in certain other countries. In addition, the financial information in this exchange offer memorandum has been prepared in accordance with PRC GAAPs, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this exchange offer memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between PRC GAAPs and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between PRC GAAPs and other GAAPs and how those differences might affect the financial information contained in this exchange offer memorandum. See “*Summary of Certain Differences between PRC GAAP and IFRS*” for further discussion.

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

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the BVI, China and other jurisdictions, 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 salable 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 Parent Guarantor under the Parent Guarantee will be limited to the maximum amount that can be guaranteed by the Parent Guarantor without rendering the guarantee, as it relates to the Parent Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

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

***The Additional New Notes will be initially represented by a Temporary Global Note and then replaced by a Permanent Global Note, and holders of a beneficial interest in the Global Note must rely on the procedures of the relevant Clearing System.***

Upon issuance of the Additional New Notes, the Additional New Notes will be represented by a temporary global note (the “**Temporary Global Note**”) issued under temporary ISIN and Common Code numbers, which is expected to be replaced by a permanent global note (the “**Permanent Global Note**” and, together with the Temporary Global Note, the “**Global Note**”) with the same ISIN and Common Code numbers as the Original New Notes upon the later occurrence of the SAFE Completion Event with respect to the Original New Notes and the Additional New Notes. The Additional New Notes will be represented by beneficial interests in a Global Note. Such Global Note will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream (the “**Clearing Systems**”). Except in the circumstances described in the Global Note, investors will not be entitled to receive definitive Certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Note.

While the Additional New Notes are represented by the Global Note, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Additional New Notes are represented by the Global Note, the Issuer will discharge its payment obligations under the Additional New Notes by making payments to the relevant Clearing System for distribution to their account.

A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System to receive payments under the Additional New Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note.

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

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

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

## **USE OF PROCEEDS**

We will not receive any cash proceeds from the Exchange Offers. Any Old Notes exchanged pursuant to the terms and conditions set forth herein in connection with the Exchange Offers will be cancelled.

## QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFERS

### GENERALLY

**Q: Why is the Company making the Exchange Offers?**

**A:** The purpose of the Exchange Offers is to manage the maturity size and extend the maturity profile of our existing senior notes, improve our liquidity and cash position, and replace the remaining Old Notes with the Additional New Notes. See “*Summary – Background and Purpose of the Exchange Offers.*”

Since the latter half of 2021, Chinese property developers have increasingly faced difficulties in accessing onshore capital as a result of reduced bank lending for real estate development. Reduced bank lending for mortgage finance for buyers, combined with buyers’ concerns about the ability of property developers to complete projects, has also adversely affected property sales. To exacerbate the situation, use of pre-sale proceeds is restricted under applicable PRC laws. Negative reaction to these onshore events by offshore capital markets has eventually curtailed our funding sources to address our debt maturities. In 2022, the property sector in China continues to experience volatility. The abovementioned reduced bank lending for real estate development activities, compounded by certain negative credit events, have further intensified market concerns over the operations of Chinese property developers. This has ultimately led to a general decrease in presales by Chinese property developers. Against the backdrop of such adverse market conditions, we began to experience short-term liquidity pressure due to limited access to external capital to refinance our existing indebtedness. As such, our existing internal resources were insufficient to address our debt maturities in June 2022, including the repayment of the two series of Old Notes in full on June 8, 2022 and June 18, 2022, respectively.

We anticipate that the Chinese real estate sector will remain under significant pressure for the rest of 2022, and therefore, in the absence of a sharp turnaround in market sentiment and willingness to extend funding, we remain cautious about our liquidity in the near term. We, therefore, are working on generating sufficient cash flow to meet our financial commitments, and as part of these efforts, we are conducting the Exchange Offers, as described in this exchange offer memorandum.

If the Exchange Offers are not successfully consummated, we are not likely to be in a position to fully repay the remaining non-exchanging Old Notes and may consider alternative debt restructuring exercises. For a more detailed discussion, please see “*Risk Factors – Our financial performance and business operations have been and may continue to be adversely affected and we may not be able to address our indebtedness or other obligations.*”

**Q: What are the consequences of not tendering in the Exchange Offers?**

**A:** Eligible Holders of Old Notes who do not validly tender Old Notes prior to the Exchange Expiration Deadline will not be eligible to receive the Exchange Consideration.

Old Notes not tendered pursuant to the Exchange Offers will remain outstanding. Furthermore, we may not be able to remedy the current nonpayment of principal and interest on the remaining non-exchanging Old Notes.

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

**Q: How will the Company repay the New Notes?**

**A:** We plan to repay the New Notes with funds from operations, including but not limited to future contracted sales and cash at project level once unrestricted, as well as proceeds from certain projects that we determine to be beneficial to our liquidity situation.

In addition, we continue to seek business partners and strategic investors who are willing to invest in us and grow with us. As of the date of this exchange offer memorandum, we have not entered into any binding agreement with any partners or strategic investors. We will continue to look for any opportunities that we

consider will enhance our credit profile, strengthen our balance sheet, and bring in business synergies as well as financial resources.

**Q: Would a holistic restructuring of various offshore and onshore debts be more beneficial to all stakeholders?**

**A:** We are being extremely cautious of any payment defaults and potential liability management exercises post default. Given the size of our operations, complexity of our corporate structure, a potential restructuring process that will likely involve multiple jurisdictions including the PRC, we believe a holistic restructuring would be burdensome to our operations, further stress our short term liquidity position, create uncertainties affecting consumer confidence, and eventually negatively impact the overall interests of our stakeholders.

However, if the Exchange Offers are not completed, not only may we not be able to remedy the current nonpayment of principal and interest on the remaining Old Notes, we will be subject to increasing default risk in respect of our other existing indebtedness and may have to seek alternative options to restructure our debt obligations, including various other offshore and onshore debts to address near-term maturities.

**Q: Could cross-holders of the Old Notes choose to tender only one series of the Old Notes for exchange?**

**A:** It is not mandatory to tender holdings across the two series of Old Notes under terms of the Exchange Offers.

**Q: When will the Exchange Offers expire?**

**A:** Each of the Exchange Offers will expire at 4:00 p.m., London time on July 8, 2022, subject to our right to extend or earlier terminate any of such times and dates at our absolute discretion.

**Q: Under what circumstances can the Exchange Offers be extended, amended or terminated?**

**A:** We reserve the right to extend the Exchange Offers at our absolute discretion for any reason. We expressly reserve the right, at any time, to amend the terms of the Exchange Offers in any respect prior to the Exchange Expiration Deadline in respect of any of the Exchange Offers, subject to applicable law. Further, we may extend the Exchange Offers if we make a material change in the terms of the Exchange Offers or in the information contained in this exchange offer memorandum or waive a material condition to the Exchange Offers.

We reserve the right to terminate the Exchange Offers at any time prior to the Settlement Date if any conditions are not met. For more information regarding our right to extend, amend or terminate the Exchange Offers, see “*Description of Exchange Offers – Exchange Expiration Deadline; Extensions; Amendments; Termination*”.

## **QUESTION AND ANSWERS ABOUT THE EXCHANGE OFFERS**

**Q: What will I receive if I tender my Old Notes in the Exchange Offers?**

**A:** For each US\$1,000 principal amount of outstanding Old Notes that is validly tendered prior to the Expiration Deadline and accepted for exchange, an Eligible Holder will receive the Exchange Consideration consisting of: (a) the Upfront Principal Payment, (b) the Incentive Cash Consideration, (c) New Notes, and (d) Accrued Interest in cash. See “*Summary of the Exchange Offers*” and “*Description of the Exchange Offers – Exchange Consideration*” for further details.

**Q: Are there any conditions to the consummation of the Exchange Offers?**

**A:** Our obligation to consummate the Exchange Offers in respect of each series of Old Notes is conditional upon the following, unless waived or modified by us at our discretion, (i) there being no material adverse change in the market from the date of this exchange offer memorandum to the Settlement Date; (ii) an affirmative determination by us that accepting the exchanges, paying the Exchange Consideration and effecting the transactions contemplated hereby are in our best interests; and (iii) the satisfaction of the other conditions described in “*Description of the Exchange Offers – Conditions to the Exchange Offers*.”

Any tendering Eligible Holder must tender its entire holding of Old Notes for exchange. We reserve our right not to accept any partial tender of Old Notes of a series by any Eligible Holder.

Subject to applicable law, we may terminate or withdraw the Exchange Offers if any of the conditions are not satisfied or waived by us by the Settlement Date. We may also extend the Exchange Offers from time to time until the conditions are satisfied or waived.

Although we have no present plans or arrangements to do so, we reserve the right to amend, modify or waive, at any time, the terms and conditions of the Exchange Offers, subject to applicable law. We will give you notice of any amendments, modifications or waivers as and if required by applicable law.

**Q: When will the Company issue the Additional New Notes?**

**A:** Assuming the conditions to the Exchange Offers are satisfied or waived, we anticipate that we will issue the Additional New Notes and settle the Exchange Offers, including the delivery and payment of the Exchange Consideration, on or about July 12, 2022, unless the Exchange Offers are extended or earlier terminated.

**Q: What are my rights if I change my mind after I tender my Old Notes?**

**A:** Tenders of Old Notes may not be withdrawn or revoked once submitted unless we are required by law to permit such withdrawal or revocation.

**Q: Can I transfer my Old Notes after submitting an Instruction to exchange?**

**A:** Upon giving Instructions with respect to any Old Notes, an Eligible Holder will agree that its Old Notes will be blocked from transferring in the relevant account in the relevant Clearing System from the date the relevant instruction is submitted until the Settlement Date or the date of termination of the Exchange Offers (including where such Old Notes are not accepted by the Issuer for exchange), whichever is earlier.

**Q: Will the Company receive any cash proceeds from the Exchange Offers?**

**A:** No. See “*Use of Proceeds*”.

**Q: How do I tender my Old Notes for exchange in the Exchange Offers?**

**A:** Please see “*Description of the Exchange Offers – Procedures for Tendering Old Notes*.” For further information, please contact D.F. King Ltd., who has been retained by us as the Information and Exchange Agent for the Exchange Offers, or consult your broker, dealer, commercial bank, trust company or other nominee or custodian for assistance.

PLEASE NOTE: The Exchange Offers are available only to holders who are not U.S. persons (within the meaning of Regulation S) and are outside the United States. To participate in the Exchange Offers, a holder of Old Notes must either hold such Old Notes through a direct participant in Euroclear or Clearstream or arrange for the transfer of its Old Notes so that they are held through such a direct participant. U.S. PERSONS (WITHIN THE MEANING OF REGULATION S) AND PERSONS LOCATED IN THE UNITED STATES ARE NOT PERMITTED TO TENDER OLD NOTES IN THE EXCHANGE OFFERS.

Upon giving Instructions with respect to any Old Notes, those Old Notes will be blocked and may not be transferred until the Exchange Offers are settled, modified or terminated so as to result in a cancellation of such Instructions.

**OTHERS**

**Q: Will I have to pay any fees or commissions if I tender my Old Notes in the Exchange Offers?**

**A:** If your Old Notes are held through a broker or other nominee who tenders the Old Notes on your behalf, your broker may charge you a commission for doing so. You should consult with your broker or nominee to determine whether any charges apply. Otherwise, you will not be required to pay any fees or commissions to us, the Dealer Managers or the Information and Exchange Agent in connection with the Exchange Offers.

**Q: To whom should I direct any questions?**

**A:** Questions about the terms of the Exchange Offers should be directed to the Dealer Managers or the Information and Exchange Agent, as appropriate. If you have questions regarding exchange procedures, please contact the Information and Exchange Agent. Contact information for the Dealer Managers and the Information and Exchange Agent are set forth on the back cover of this exchange offer memorandum.



Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominees or custodians for assistance concerning the Exchange Offers. All documents related to the Exchange Offers will be made available, subject to eligibility, on the Exchange Website.

## DESCRIPTION OF THE EXCHANGE OFFERS

### General

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

### Purpose of the Exchange Offers

We are conducting the Exchange Offers to manage the maturity size and extend the maturity profile of our existing senior notes, improve our liquidity and cash position, and replace the remaining Old Notes with the Additional New Notes. See “*Summary – Background and Purpose of the Exchange Offers.*”

### Terms of the Exchange Offers

Upon the terms and subject to the conditions set forth in this exchange offer memorandum, we are offering to exchange any and all of our outstanding (i) 10.875% Guaranteed Senior Notes due 2022 (ISIN: XS2008677341, Common Code: 200867734) (the “**2019 Notes**”) and (ii) 12.00% Guaranteed Senior Notes due 2022 (ISIN: XS2349744594, Common Code: 234974459) (the “**2021 Notes**” and together with the 2019 Notes, the “**Old Notes**”) for the Exchange Consideration as set forth below.

As of the date of this exchange offer memorandum, US\$18,090,000 in aggregate principal amount of our 2019 Notes and US\$39,484,000 in aggregate principal amount of our 2021 Notes, are outstanding.

Eligible Holders of the Old Notes validly accepted and exchanged in the Exchange Offers will, from and including the Settlement Date, waive any and all rights with respect to the Old Notes (other than the right to receive the relevant components of the applicable Exchange Consideration) and will release and discharge us from any and all claims such Eligible Holder may have, now or in the future, arising out of or related to such Old Notes, including any and all accrued and unpaid interest thereon.

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

Any tendering Eligible Holder must tender its entire holding of Old Notes for exchange. We reserve our right not to accept any partial tender of Old Notes by any Eligible Holders.

### Exchange Consideration

Eligible Holders of the outstanding Old Notes that are validly tendered on or prior to the Exchange Expiration Deadline and accepted for exchange will receive, for each US\$1,000 principal amount of the Old Notes, the Exchange Consideration consisting of: (a) the Upfront Principal Payment of US\$50, (b) the Incentive Cash Consideration of US\$10, (c) US\$950 in aggregate principal amount of the New Notes, (d) Accrued Interest in cash (rounded to the nearest US\$0.01, with US\$0.005 rounded upwards), and (e) subject to the requirement that any New Notes issued to any Eligible Holder be in a minimum principal amount of US\$150,000 and integral multiples of US\$1.0 in excess thereof, in the event that such Eligible Holder is entitled to receive any New Notes in a principal amount that is not an integral multiple of US\$1.0, cash (rounded to the nearest US\$0.01, with US\$0.005 rounded upwards) in lieu of any fractional amount of the New Notes equal to the principal amount of the New Notes not issued (after rounding downward the amount of the New Notes to the nearest multiple of US\$1.0).

Accrued and unpaid interest on the Old Notes validly tendered prior to the Exchange Expiration Deadline and accepted for exchange, up to but excluding June 6, 2022 (the “**Accrued Interest**”), will be payable in cash as part of the Exchange Consideration.

**Notwithstanding anything to the contrary contained in this exchange offer memorandum or in any other document related to the Exchange Offers, we expressly reserve the right, in our sole discretion and regardless of whether any of the conditions described under “*Description of the Exchange Offers* –**

**Conditions to the Exchange Offers” have been satisfied, subject to applicable law, at any time to (i) terminate the Exchange Offers, in whole or in part, (ii) waive any of the conditions described herein, in whole or in part, (iii) extend the Exchange Expiration Deadline in respect of any of the Exchange Offers and/or the Settlement Date, (iv) modify the form or amount of the consideration to be paid pursuant to the Exchange Offers, or (v) amend any terms of the Exchange Offers.**

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

If all or any of the Old Notes tendered for exchange by any Eligible Holder has not been accepted, (i) you will receive the Exchange Consideration in relation to the amount of the Old Notes validly tendered and accepted in the Exchange Offers; and (ii) in relation to those Old Notes not accepted in the Exchange Offers but validly tendered, such Old Notes will be returned to such Eligible Holder.

No other holders of the Old Notes will be entitled to receive the Exchange Consideration.

### **Interest or Coupon on the New Notes**

The interest rate of the New Notes is 12.00% per annum, payable in arrears on December 6, 2022 and June 5, 2023.

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

Your submission of an Instruction to Euroclear or Clearstream, as applicable, with respect to any Old Notes will only be valid if you certify in such Instruction that you are an Eligible Holder.

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

For purposes of each of the Exchange Offers, the Exchange Expiration Deadline will be 4:00 p.m., London time, on July 8, 2022, subject to our right to extend that time and date or earlier terminate in our absolute discretion, in which case the Exchange Expiration Deadline means the latest time and date to which such time and date is extended or earlier terminated.

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

- extend the Exchange Offers;
- terminate the Exchange Offers if a condition to our obligation to exchange Old Notes for New Notes is not satisfied or waived prior to the Settlement Date, or if we determine that accepting the exchanges, paying the Exchange Consideration and effecting the transactions contemplated are not in our best interests; or
- amend or modify the Exchange Offers, or waive any condition to the Exchange Offers.

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

Additionally, we expressly reserve the right, in our absolute discretion, to extend, abandon, or terminate the Exchange Offers at any time and from time to time whether or not the conditions to the Exchange Offers are not met prior to the Settlement Date. We have the right, in our sole discretion, to extend the Exchange Expiration Deadline in respect of any of the Exchange Offers and/or the Settlement Date. During any extension of the Exchange Offers, Old Notes that were previously tendered for exchange will remain subject to the Exchange Offers. Any waiver, amendment or modification of the Exchange Offers, including any change in the Exchange Consideration will apply to all Old Notes previously validly tendered, regardless of when and in what order such Old Notes were tendered for exchange. In the event that the Exchange Offers are terminated, withdrawn or otherwise not consummated prior to the Settlement Date, no consideration will be paid or become payable and no New Notes will be issued or become issuable to Eligible Holders who have validly tendered their Old Notes for exchange pursuant to the Exchange Offers. In any such event, the Old Notes previously tendered for exchange pursuant to the Exchange Offers will be promptly returned to the tendering Eligible Holders. We may choose to terminate or amend certain parts of the Exchange Offers but retain other aspects unchanged.

We will promptly announce any extension, amendment or termination of the Exchange Offers by issuing an announcement via the Exchange Website and through Euroclear and Clearstream. Such announcements may also be published via a recognized financial news service or services (e.g. Reuters/Bloomberg) as selected by us. We will announce any extension of the Exchange Expiration Deadline in respect of any of the Exchange Offers no later than 9:00 a.m., Hong Kong time, on the next business day after the relevant previously scheduled Exchange Expiration Deadline.

### **Acceptance of the Old Notes**

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

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

The Settlement Date will occur promptly after the Exchange Expiration Deadline in respect of each of the Exchange Offers. We anticipate that the Settlement Date will occur on or about July 12, 2022, unless the Exchange Offers are extended or terminated.

Subject to the terms and conditions of the Exchange Offers, and assuming that the Exchange Offers are not otherwise terminated by us, on the Settlement Date, Eligible Holders who validly tendered in accordance with the procedures set forth in this exchange offer memorandum on or prior to the Exchange Expiration Deadline that are accepted by us will receive the Exchange Consideration.

Any cash payments of the Exchange Consideration for the Old Notes accepted for exchange will be made by deposit of funds with Euroclear or Clearstream. Euroclear or Clearstream will transmit the New Notes and cash payments to Eligible Holders whose Old Notes are accepted for exchange in accordance with the terms of the Exchange Offers.

### **Conditions to the Exchange Offers**

Notwithstanding anything to the contrary contained in this exchange offer memorandum or in any other document related to the Exchange Offers, we expressly reserve the right, in our sole discretion and regardless of whether any of the conditions described under this section have been satisfied, subject to applicable law, at any time to (i) terminate the Exchange Offers, in whole or in part, (ii) waive any of the other conditions, in whole or in part, (iii) extend the Exchange Expiration Deadline in respect of any of the Exchange Offers and/or the Settlement Date, (iv) modify the form or amount of the consideration to be paid pursuant to the Exchange Offers, or (v) amend any terms of the Exchange Offers.

### **Combined General Conditions**

Notwithstanding any other provisions of the Exchange Offers, or any extension of the Exchange Offers, we will not be required to deliver any consideration (and we may terminate the Exchange Offers or, at our option, modify, extend or otherwise amend the Exchange Offers), unless each of the following conditions, which we refer to as the combined general conditions, is satisfied or waived:

- (1) we have made an affirmative determination that accepting the exchanges, paying the Exchange Consideration and effecting the transactions contemplated hereby are in our best interests;
- (2) no action or event shall have occurred or to our knowledge, been threatened (including a default under an agreement, indenture or other instrument or obligation to which we or one of our subsidiaries is a party or by which we or one of our subsidiaries is bound), nor shall any action, proceeding, application, claim, counterclaim or investigation (whether formal or informal) be pending or have been taken, nor shall any statute, rule, regulation, judgment, order, stay, decree or

injunction have been proposed, promulgated, enacted, entered, enforced or deemed to be applicable to the Exchange Offers or the exchange of the Old Notes under the Exchange Offers by or before any court or governmental, regulatory or administrative agency or instrumentality, domestic or foreign, authority or tribunal, or by any other person, domestic or foreign, that either:

- (i) challenges the Exchange Offers or the exchange of the Old Notes under the Exchange Offers or might, directly or indirectly, prohibit, prevent, restrict or delay consummation of, or might otherwise adversely affect in any material manner, the Exchange Offers or the exchange of the Old Notes under the Exchange Offers; or
  - (ii) in our reasonable judgment, could materially affect our business, condition (financial or otherwise), income, operations, properties, assets, liabilities or prospects, or materially impair the contemplated benefits to us of the Exchange Offers or the exchange of the Old Notes under the Exchange Offers or might be material to holders of the Old Notes in deciding whether to accept the Exchange Offers;
- (3) there shall not have occurred or be likely to occur any other event affecting the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects of us or our or subsidiaries that, in our sole judgment, either (i) is, or is reasonably likely to be, materially adverse to our business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects, or (ii) would or might prohibit, prevent, restrict or delay consummation of the Exchange Offers;
- (4) none of the following has occurred:
- (i) any general suspension of or limitation on trading in securities on the PRC, New York, London, Hong Kong or Singapore securities or financial markets, or in the over-the-counter market (whether or not mandatory);
  - (ii) any material decrease in the trading prices of the Old Notes in the PRC, New York, London, Hong Kong, Singapore or other major securities or financial markets;
  - (iii) a material impairment in the general trading market for debt securities;
  - (iv) a declaration of a banking moratorium or any suspension of payments in respect of banks by federal or state authorities in the PRC, New York, London, Hong Kong, Singapore or other major financial markets (whether or not mandatory);
  - (v) a commencement or escalation of a war, armed hostilities, terrorist act or other national or international crisis directly or indirectly relating to the PRC, New York, London, Hong Kong or Singapore, or any other calamity or crisis resulting in any change in political, financial or economic conditions of the PRC, New York, London, Hong Kong or Singapore;
  - (vi) any limitation (whether or not mandatory) by any governmental, administrative or regulatory authority or agency, domestic or foreign, or other event having a reasonable likelihood, in our reasonable judgment, of affecting, the extension of credit by banks or other lending institutions in the PRC, New York, London, Hong Kong or Singapore;
  - (vii) any material disruption has occurred in securities settlement or clearance services in the PRC, New York, London, Hong Kong or Singapore;
  - (viii) any amalgamation, merger, acquisition or other business combination proposal involving us or our subsidiaries shall have been proposed, announced or made by any person or entity;
  - (ix) any material adverse change in the PRC, New York, London, Hong Kong or Singapore securities or financial markets generally; and
  - (x) in the case of any of the foregoing existing at the time of the commencement of the Exchange Offers, a material acceleration or worsening thereof;
- (5) the Old Notes Trustee shall not have objected in any respect to, nor have taken any action that could in our reasonable judgment adversely affect the consummation of, the Exchange Offers or the

exchange of the Old Notes under the Exchange Offers nor shall the Old Notes Trustee have taken any action that challenges the validity or effectiveness of the procedures used by us in making the Exchange Offers or the exchange of the Old Notes under the Exchange Offers; and

- (6) the New Notes shall be eligible for clearance and settlement through the Clearing Systems.

### ***Waiver, Termination and Modification***

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

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

- terminate the Exchange Offers and return all tendered Old Notes;
- modify, extend or otherwise amend the Exchange Offers and retain all tendered Old Notes until the Exchange Expiration Deadline as may be extended; or
- waive any unsatisfied conditions with respect to the Exchange Offers, and accept all Old Notes tendered and delivered.

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

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

- (1) irrevocably sell, assign and transfer to or upon our order or the order of our nominee, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of such holder's status as a holder of, all Old Notes tendered thereby, such that thereafter it shall have no contractual or other rights or claims in law or in equity against us, the Old Notes Trustee, the Old Notes Agents or any fiduciary, trustee, fiscal agent, security agent or other person connected with the Old Notes arising under, from or in connection with such Old Notes;
- (2) waive any and all rights with respect to the Old Notes tendered thereby (including, without limitation, any existing or past defaults and their consequences in respect of such Old Notes); and
- (3) release and discharge us, the Old Notes Trustee or any fiduciary, trustee, fiscal agent, security agent or other person connected with the Old Notes from any and all claims such holder may have (now or in the future), arising out of or relating to the Old Notes tendered thereby, including, without limitation, any claims that such holder is entitled to receive additional principal or interest payments with respect to the Old Notes tendered thereby (other than as expressly provided in this exchange offer memorandum) or to participate in any redemption or defeasance of the Old Notes tendered thereby.

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

- (1) it has received and reviewed this exchange offer memorandum including the terms of the Additional New Notes set out in "*Description of the New Notes*" it has received and reviewed this exchange offer memorandum including the terms of the Additional New Notes set out herein;
- (2) it bases its investment decision solely on the information published on or prior to the date of this exchange offer memorandum by the Company on the website of the Shenzhen Stock Exchange and the Company's official website (the "Public Disclosure") and not on any other information or representation concerning the Company and the Issuer which it may have received from the Company, the Issuer, the Dealer Managers or their respective representatives. It acknowledges that none of the Company, the Issuer, any of their affiliates or any other person has made any representations, express or implied, to us with respect to the Company, the Issuer, the Exchange Offers, the Additional New Notes or the accuracy, completeness or adequacy of any financial or

other information concerning the Company, the Issuer, the Exchange Offers or the Additional New Notes. It agrees that it will not distribute, forward, transfer or otherwise transmit any presentational or other materials concerning the Exchange Offers (including electronic copies thereof) to any person (other than any Eligible Holder on behalf of which we act), and we have not distributed, forwarded, transferred or otherwise transmitted any such materials to any person (other than any Eligible Holder on behalf of which we act);

- (3) it understands that the Exchange Offers involve a high degree of risk and that the Additional New Notes are complex products;
- (4) it is the beneficial owner (as defined below) of, or a duly authorized representative of one or more such beneficial owners of, the Old Notes tendered thereby;
- (5) it (i) has not received or been sent copies of this exchange offer memorandum or any related documents in, into or from the United States, (ii) is not a “U.S. person” and is not located in the United States, (iii) is not an agent, fiduciary or other intermediary acting on a nondiscretionary basis for a principal who has given instructions with respect of the Exchange Offers from within the United States or from a U.S. person, (iv) has not otherwise utilized in connection with the Exchange Offers, directly or indirectly, the mails, or any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, email and other forms of electronic transmission) of interstate or foreign commerce, or of any facilities of a national securities exchange, of the United States and (v) is offering to exchange the Old Notes from outside the United States
- (6) it acknowledges that the Exchange Offers are subject to the restrictions set out in the section entitled “Offer and Distribution Restrictions” and “Transfer Restrictions”;
- (7) it acknowledges that the Additional New Notes to be exchanged for the Old Notes tendered for exchange hereby have not been registered under the Securities Act or with any state or other jurisdiction of the United States and may only be sold or otherwise transferred subject to the restrictions set out in the sections entitled “Offer and Distribution Restrictions” and “Transfer Restrictions”;
- (8) it is not resident and/or located in any Member State of EEA or United Kingdom or, if it is resident and/or located in any Member State of the EEA or United Kingdom, it is not a retail investor (as defined in this exchange offer memorandum) in the EEA or United Kingdom;
- (9) it is not located or resident in the United Kingdom or, if it is located or resident in the United Kingdom, it is a person falling within the definition of investment professionals (as defined in the Article 19(5) of the Financial Promotion Order) or within Article 49 of the Financial Promotion Order (the “high net worth companies, unincorporated associations etc.”), or to whom this exchange offer memorandum and any other documents or materials relation to the Exchange Offers may otherwise lawfully be communicated in accordance with the Financial Promotion Order;
- (10) it is not located or resident in Italy or, if it is located in Italy, it is an authorized person or is tendering Old Notes through an authorized person (such as an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 58 of 24 February 1998, as amended, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority;
- (11) it is not located or resident in France or, if it is located or resident in France, it is a (i) provider of investment services relating to portfolio management for the account of third parties (personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers) and/or (ii) qualified investor (investisseur qualifié), other than an individual, acting for its own account (all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French Code monétaire et financier);
- (12) it understands that the exchange offer memorandum has not been and will not be registered as a prospectus with the MAS under the SFA, and accordingly, the exchange offer memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Additional New Notes may not be circulated or distributed, nor may the Additional



New Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), 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;

- (13) it is not located or resident in Hong Kong or, if it is located or resident in Hong Kong, it is a professional investor within the meaning of the SFO and any rules made thereunder;
- (14) it is not located or resident in the Cayman Islands or the British Virgin Islands;
- (15) it is not (i) a person that is, or is owned or controlled by a person that is, identified as a “specially designated national” or “blocked person” in the most current U.S. Treasury Department list of “Specially Designated National and Blocked Persons” or included in the U.S. Treasury Department’s Sectoral Sanctions Identifications List (which can be found at: <https://sanctionssearch.ofac.treas.gov/>), or in the European Union and UK Consolidated Lists of financial sanctions, or in the EU/UK list of persons subject to restrictive measures in view of Russia’s actions destabilizing the situation in Ukraine; or (ii) a person that is organized, resident or located in a country or territory subject to comprehensive/countrywide economic sanctions; (iii) a person that is otherwise the subject of, or in violation of, any sanctions under (x) the laws and regulations that have been officially published and are administered or enforced by the U.S. Government (including, without limitation, the Office of Foreign Assets Control of the U.S. Treasury Department or the U.S. Department of State), or any enabling legislation or executive order relating thereto; or (y) any equivalent sanctions or measures officially published and imposed by the European Union, any member state of the European Union, Her Majesty’s Treasury, the United Nations or any other relevant sanctions authority, including sanctions imposed against certain states, organizations and individuals under the European Union’s Common Foreign & Security Policy; or (iv) acting for or on behalf of any of the foregoing parties (a “Sanctions Restricted Person”);
- (16) the Old Notes being tendered thereby were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and we will acquire good, indefeasible and unencumbered title to such Old Notes, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same;
- (17) it will not sell, pledge, hypothecate or otherwise encumber or transfer any Old Notes tendered thereby and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
- (18) in evaluating the Exchange Offers and in making its decision whether to participate therein by tendering its Old Notes, such holder has made its own independent evaluation of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to such holder by the Company, the Issuer other than those contained in this exchange offer memorandum (as amended or supplemented to the Exchange Expiration Deadline), the Dealer Managers, the Information and Exchange Agent or the Old Notes Trustee or the Old Notes Agents;
- (19) it acknowledges and agrees that the Exchange Offers are an arm’s length commercial arrangement between the Company, the Issuer and each Eligible Holder;
- (20) it (a) has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers in connection herewith to the extent it has deemed necessary, (b) has had a reasonable opportunity to ask questions of and received answers from officers and representatives of the Company and the Issuer concerning the financial condition and results of operations of the Company and its subsidiaries (the “Group”), and any such question has been answered to its satisfaction, (c) has requested from the Company and the Issuer and reviewed all information that it believes is necessary or appropriate in connection with the Exchange Offers, and (d) has been and will continue to be solely responsible for making its own independent analysis of and investigations into the status, creditworthiness, prospects, business, operations, assets and condition of the Group;
- (21) It understands and agrees that it may not rely on any investigation that any person acting on its behalf has conducted with respect to the Exchange Offers, the Additional New Notes, the Company and



the Issuer or any of their respective affiliates, and no other party has made any representation to it, express or implied, with respect to the Exchange Offers, the Additional New Notes, the Company or the Issuer. Neither the Dealer Managers nor any of their associates or affiliates have made, and it has not relied upon, any written or oral communication, representation, warranty or condition (express or implied) about, and the Dealer Managers shall have no liability or responsibility for (a) the effectiveness, validity or enforceability of any agreement or other document entered into by or provided to it in connection with the Exchange Offers; (b) any non-performance by any party to any such documents; (c) the Exchange Offers or the Additional New Notes; or (d) the business, properties, prospects, condition (financial or otherwise) or results of operations of the Group, and the Dealer Managers do not owe and shall not owe any duty whatsoever in connection with any of the foregoing. Any information or explanations related to the terms and conditions of or the Exchange Offers and the Additional New Notes does not constitute investment advice or a recommendation in respect of the Exchange Offers and are not considered or deemed to be an assurance or guarantee as to the expected performance of the Additional New Notes, the Company, and each other member of the Group;

- (22) it acknowledges that the information provided with regard to the Company or the Issuer and the Additional New Notes has been prepared and supplied by the Company and the Issuer (whether or not it was conveyed by the Company and/or the Dealer Managers to it on the Company's behalf), and that no other party has verified such information or makes any representation or warranty as to its accuracy or completeness;
- (23) it is a sophisticated institutional investor and has such knowledge and experience in financial, business and international investment matters, and in particular in purchasing debt securities issued by PRC property companies, that, and it is capable of evaluating the merits and risks of the Exchange Offer, and it is aware that we may be required to bear, and is able to bear, the economic risk of an investment in the New Notes, including the possibility that it may lose all or a substantial portion of its investment;
- (24) It acknowledges that certain of the information and materials provided by the Company and the Issuer, may be provided in the Chinese language, and it represents that it is capable of understanding and evaluating all such information;
- (25) it represents and acknowledges that (a) neither the Dealer Managers nor their affiliates have been requested to or has provided with any information or advice with respect to the Exchange Offers or the Additional New Notes nor is such information or advice necessary or desired; (b) neither the Dealer Managers nor their affiliates has made or makes any representation as to the Company, the Issuer, the Exchange Offers or the credit quality of the Additional New Notes; (c) the Dealer Managers and their affiliates may have acquired, or during the term of the Exchange Offers and/or the Additional New Notes may acquire, non-public information with respect to the Company, which we agree need not be provided to it; and (d) in connection with the Exchange Offers and the issuance of the Additional New Notes, neither the Dealer Managers nor their affiliates has acted as its financial advisor or fiduciary;
- (26) It is acquiring the Additional New Notes for its own account (or for the account of a person that is not a U.S. person as defined in Regulation S promulgated under the Securities Act as to which we exercise sole investment discretion and have authority to make these statements) for investment purposes, and not with a view to any resale or distribution thereof within the meaning of the U.S. securities laws;
- (27) if it is acting as a fiduciary or agent for one or more investor accounts, (a) it has investment discretion with respect to each such account and (b) it has full power and authority to make the representations, warranties, agreements and acknowledgements in this letter on behalf of each such account;
- (28) It acknowledges and agrees that it did not become aware of the Exchange Offers through any form of general solicitation or advertising within the meaning of Rule 502 under the Securities Act or otherwise through a "public offering" under Section 4(a)(2) of the Securities Act or as a result of any directed selling efforts (as that term is defined in Regulation S) and it did not become aware of the Exchange Offers and was not otherwise solicited to enter into the Exchange Offers through solicitation of any party other than the Company and its respective affiliates;

- (29) the Exchange Offers are lawful under the securities laws of the jurisdiction in which it accept the exchange for the Additional New Notes;
- (30) it is not a nominee company (unless the name of the ultimate beneficiary has been disclosed);
- (31) the delivery of an electronic instruction to the relevant Clearing System shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with the Exchange Offers, in each case on and subject to the terms and conditions set out or referred to in this exchange offer memorandum;
- (32) the delivery of an electronic instruction to the relevant Clearing System shall constitute (subject to the terms and conditions of the Exchange Offers generally) the appointment of the Information and Exchange Agent as its attorney and agent, and an instruction to such attorney and agent (such appointment and instruction to be irrevocable) to complete and execute all or any form(s) of transfer and other document(s) at the discretion of such attorney and agent in relation to the Old Notes tendered thereby in favor of the Company or such other person or persons as the Company may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's discretion and/or the certificate(s) and other documents of title relating to such Old Notes' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Exchange Offers, and to vest in the Company or its nominees such Old Notes;
- (33) the terms and conditions of the Exchange Offers shall be deemed to be incorporated in, and form a part of, the electronic instruction, which shall be read and construed accordingly;
- (34) by delivering an electronic instruction with respect to its Old Notes through Euroclear or Clearstream, it consents to the disclosure by Euroclear or Clearstream of certain details concerning the direct participant's identity, the aggregate principal amount of such Old Notes and their account details to the Information and Exchange Agent;
- (35) it understands that the Additional New Notes and the applicable Additional Parent Guarantee have not been and will not be registered under the Securities Act or any state securities laws in the United States. It further understands that none of the Company, or the Issuer are registered, nor will they register, under the U.S. Investment Company Act of 1940, as amended (the "U.S. Investment Company Act") and investors will not be entitled to the benefits of such U.S. Investment Company Act. It understands that subject to certain exceptions, the Additional New Notes and the applicable Additional Parent Guarantee may not be offered or sold within the United States or to any national, resident or citizen of the United State;
- (36) it has not distributed or forwarded this exchange offer memorandum, or any part thereof, or any other documents or materials relating to the Exchange Offers to any person, and it has complied with all laws and regulations applicable to it for the purpose of its participation in the Exchange Offers;
- (37) it understands that the foregoing representations, warranties, agreements undertakings, confirmations and acknowledgements are required in connection with United States and other securities laws and that it and its affiliates and others will rely upon the truth and accuracy of the foregoing representations, warranties, agreements, undertakings, confirmations and acknowledgements. These Investor Representations shall inure to the benefit of and be binding upon each Eligible Holder of the Old Notes and their respective successors and permitted assigns, and these representations shall be binding on its permitted successors in title, permitted assigns and permitted transferees. It confirms that, to the extent it is acting for the account of one or more persons, these representations constitute legal, valid and binding obligations and any other persons for whose account it is acting.
- (38) it acknowledges that each New Note will contain a legend substantially in the following form:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE

DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

THIS TEMPORARY GLOBAL NOTE WILL BE EXCHANGED IN WHOLE FOR A PERMANENT GLOBAL NOTE, UPON THE LATER OCCURRENCE OF THE SAFE COMPLETION EVENT WITH RESPECT TO THE ORIGINAL NOTES AND SUCH ADDITIONAL NOTES (AS DEFINED IN THE INDENTURE). AFTER THE EXCHANGE, THE HOLDER OF THIS TEMPORARY GLOBAL NOTE WILL NOT BE ENTITLED TO RECEIVE ANY PAYMENT OF INTEREST HEREON."

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

- (39) It acknowledge that the Permanent Global Note for each Additional New Notes will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

- (40) it understands that we, the Dealer Managers, the Trustees, the Agents and the Information and Exchange Agent will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations and warranties made by it by its submission of the Instruction are, at any time prior to the consummation of the Exchange Offers, no longer accurate, it shall promptly notify us. If it is acquiring the New Notes to be exchanged for the Old Notes tendered for exchange hereby as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each

such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of such account.

Each holder of the Old Notes that submits an Instruction will also be deemed to represent, warrant and agree with respect to the transfer restrictions as set forth under the section entitled “*Transfer Restrictions*.”

The representations and warranties and agreements of a holder tendering Old Notes shall be deemed to be repeated and reconfirmed on and as of the Exchange Expiration Deadline in respect of each of the Exchange Offers and the Settlement Date. For the purposes of this exchange offer memorandum, the “beneficial owner” of any Old Notes shall mean any holder that exercises sole investment discretion with respect to such Old Notes.

If you are unable to give any of the representations and warranties described above, please contact the Dealer Managers, and do not send Old Notes or Instructions to us, the Dealer Managers or the Information and Exchange Agent.

### **Certain Consequences to Eligible Holders Not Participating in the Exchange Offers**

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

“**Institutional Professional Investors**” refers to persons who fall under paragraphs (a) to (i) of the definition of “professional investor” under Part 1 of Schedule 1 to the SFO, which includes:

- (a) any recognized exchange company, recognized clearing house, recognized exchange controller or recognized investor compensation company, or any person authorized to provide automated trading services under section 95(2) of the SFO;
- (b) any intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong;
- (c) any authorized financial institution, or any bank which is not an authorized financial institution but is regulated under the law of any place outside Hong Kong;
- (d) any insurer authorized under the Insurance Ordinance (Cap. 41), or any other person carrying on insurance business and regulated under the law of any place outside Hong Kong;
- (e) any scheme which is a collective investment scheme authorized under section 104 of the SFO; or is similarly constituted under the law of any place outside Hong Kong and, if it is regulated under the law of such place, is permitted to be operated under the law of such place, or any person by whom any such scheme is operated;
- (f) any registered scheme as defined in section 2(1) of the Mandatory Provident Fund Schemes Ordinance (Cap. 485), or its constituent fund as defined in section 2 of the Mandatory Provident Fund Schemes (General) Regulation (Cap. 485 sub. leg. A), or any person who, in relation to any such registered scheme, is an approved trustee or service provider as defined in section 2(1) of that Ordinance or who is an investment manager of any such registered scheme or constituent fund;
- (g) any scheme which -
  - (i) is a registered scheme as defined in section 2(1) of the Occupational Retirement Schemes Ordinance (Cap. 426); or
  - (ii) is an offshore scheme as defined in section 2(1) of that Ordinance and, if it is regulated under the law of the place in which it is domiciled, is permitted to be operated under the law of such place,or any person who, in relation to any such scheme, is an administrator as defined in section 2(1) of that Ordinance;

- (h) any government (other than a municipal government authority), any institution which performs the functions of a central bank, or any multilateral agency;
- (i) except for the purposes of Schedule 5 to the SFO, any corporation which is-
  - A. a wholly owned subsidiary of-
    - (x) an intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong;
    - or
    - (y) an authorized financial institution, or any bank which is not an authorized financial institution but is regulated under the law of any place outside Hong Kong;
  - B. a holding company which holds all the issued share capital of-
    - (x) an intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong;
    - or
    - (y) an authorized financial institution, or any bank which is not an authorized financial institution but is regulated under the law of any place outside Hong Kong; or
  - C. any other wholly owned subsidiary of a holding company referred to in subparagraph (ii).

“**Corporate Professional Investors**” and “**Individual Professional Investors**” refer to investors that fall under paragraph (j) of the definition of “professional investor” under Part 1 of Schedule 1 to the SFO. According to section 3 of the Securities and Futures (Professional Investor) Rules (Cap. 571D) of Hong Kong, investors in this category include:

- (a) any trust corporation having been entrusted under one or more trusts of which it acts as a trustee with total assets of not less than HK\$40 million or its equivalent in any foreign currency;
- (b) any individual (either alone with his spouse or children (collectively, “His Associate(s)”) on a joint account or his share on a joint account with one or more person other than His Associate(s)) having a portfolio of not less than HK\$8 million or its equivalent in any foreign currency;
- (c) any corporation (other than a trust corporation referred to in paragraph (a)) or partnership having either a portfolio (comprising securities, certificates of deposit issued by an authorized financial institution or the overseas equivalent, and/or money held by a custodian for him) of not less than HK\$8 million or total assets of not less than HK\$40 million or its equivalent in any foreign currency;
- (d) any corporation whose principal business is to hold investments and which is wholly owned by a person who falls within the description in paragraphs (a) to (c) above or within the description of “professional investor” within the meaning of paragraph (a), (d), (e), (f), (g) or (h) of the definition of “Institutional Professional Investor” above; and
- (e) any corporation which wholly owns a corporation referred to in paragraph (c) above.

Private banking clients should be categorized as either Corporate Professional Investors or Individual Professional Investors where possible.

## **Procedures for Tendering Old Notes**

### *General*

To participate in the Exchange Offers, an Eligible Holder must validly tender its Old Notes for exchange pursuant to the Exchange Offers on or prior to the Exchange Expiration Deadline according to the procedures described below.

To tender Old Notes pursuant to the Exchange Offers, a beneficial owner should deliver, or arrange to have delivered on its behalf, via Euroclear or Clearstream, as applicable, and in accordance with the requirements of Euroclear or Clearstream, as applicable, a valid Instruction that is received by the Information and Exchange Agent by the Exchange Expiration Deadline. Instructions must be submitted in respect of no less than a minimum principal amount of Old Notes (being US\$200,000) (including after any proration as described herein), and may thereafter be submitted in integral multiples of US\$1,000. Eligible Holders are responsible for ensuring that their Instructions will result in the New Notes they are entitled to receive being at least equal to the minimum principal amount of US\$150,000. Instructions that would result in a principal amount of New Notes below US\$150,000 will be rejected.

To meet the deadlines referred to in this exchange offer memorandum, custodians, nominees and the relevant Clearing System may require you to act on a date prior to the Exchange Expiration Deadline. Additionally, they may require further information in order to process all requests to tender. Eligible Holders are urged to contact their custodians or the relevant Clearing System as soon as possible to ensure compliance with their procedures and deadlines. Beneficial owners are advised to check with any bank, securities broker or other intermediary through which they hold Old Notes when such intermediary would need to receive instructions from a beneficial owner for that beneficial owner to be able to participate in the Exchange Offers by the Exchange Expiration Deadline specified in this exchange offer memorandum. The deadlines set by any such intermediary and Euroclear or Clearstream, as applicable, for the submission of Instructions will be earlier than the Exchange Expiration Deadline specified in this exchange offer memorandum.

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

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

#### *Valid Tender of the Old Notes*

If you are an Eligible Holder of Old Notes and you wish to tender your Old Notes for exchange pursuant to the Exchange Offers, you may accept the Exchange Offers on or prior to the Exchange Expiration Deadline by submitting a valid Instruction to the relevant Clearing System in accordance with its requirements. By submitting an Instruction in accordance with the requirements of the relevant Clearing System, you shall be deemed to represent, warrant and undertake the following to the Issuer, the Company, the Dealer Managers, the Trustees, the Agents and the Information and Exchange Agent on each of the Exchange Expiration Deadline and the Settlement Date:

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

Your acceptance of the Exchange Offers will constitute a binding agreement between you and us in accordance with the terms, and subject to the conditions set forth herein and in the Instruction. Such acceptance

will be binding upon receipt by the relevant Clearing System of a valid Instruction in respect of all matters except your tender of the Old Notes for exchange, which will be binding immediately.

By submitting a valid Instruction to the relevant Clearing System, you are deemed to represent, warrant and undertake to the Issuer, the Company, the Dealer Managers, the Trustees, the Agents and the Information and Exchange Agent that:

- you have received, reviewed and accepted the terms of this exchange offer memorandum, the terms of the New Notes and the “Transfer Restrictions”;
- you currently hold the Old Notes at the time of submission of an Instruction, and will continue to hold the Old Notes, until the time of settlement on the Settlement Date or the termination of the Exchange Offers;
- you have blocked the Old Notes (and they will remain blocked) in the securities account to which such Old Notes are credited in the relevant Clearing System with effect from, and including, the date on which the relevant Clearing System receives the Instruction until the time of settlement on the Settlement Date or termination of the Exchange Offers, all in accordance with the normal procedures of the relevant Clearing System and after taking into account the deadlines imposed by the relevant Clearing System;
- you will transfer the Old Notes which are the subject of the Instruction, on the Settlement Date, with full title, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and we will acquire good, indefeasible and unencumbered title to such Old Notes, free and clear of all liens charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same; and
- (i) you are the beneficial owner of, or are a duly authorized representative of one or more such beneficial owners of, the Old Notes and you are not a U.S. person and are not located in the United States at the time you submitted the Instruction and (ii) if you are acting in a fiduciary, agency or other capacity as an intermediary, then either (x) you have full investment discretion with respect to the Old Notes covered by the Instruction or (y) the person on whose behalf you are acting is a non-U.S. person located outside the United States at the time he or she instructed you to accept the Exchange Offers.

**If you are unable to give any of the representations and warranties described above, please contact the Dealer Managers. Do not send Old Notes or Instructions to the Dealer Managers, the Issuer, the Company or the Information and Exchange Agent.**

**A separate Instruction must be sent on behalf of each beneficial owner wishing to participate in the Exchange Offers.**

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

#### *Euroclear and Clearstream Participants*

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

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

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

### **Determination of Validity**

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

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

### **Withdrawal of Tenders**

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

If we terminate the Exchange Offers without accepting any Instructions, all Instructions for the Old Notes shall automatically be deemed to be withdrawn. If we do not accept any Instructions, any Instruction not so accepted shall automatically be deemed to be withdrawn.

### **No Participation by the Issuer and the Company**

The Issuer and the Company may not submit any Instructions.

### **No Guaranteed Delivery**

There are no guaranteed delivery procedures provided by the Issuer, the Company or any other entity making payments on behalf of the Issuer or the Company in connection with the Exchange Offers.

Eligible Holders must tender their Old Notes in accordance with the procedures set forth herein.

### **The Old Notes Trustee and the Old Notes Agents**

In accordance with normal practice, the Old Notes Trustee and the Old Notes Agents express no opinion on the terms of the Exchange Offers. The Old Notes Trustee and the Old Notes Agents have not been involved in formulating the terms of the Exchange Offers, and make no representation that all relevant information has been disclosed to holders of the Old Notes herein or that the information contained herein is accurate or complete. Each holder of the Old Notes is responsible for assessing the merits of the Exchange Offers. Accordingly, the Old Notes Trustee and the Old Notes Agents recommend that the holders of the Old Notes seek their own independent financial or legal advice with regard to the impact of the implementation of the Exchange Offers.

### **Information and Exchange Agent**

D.F. King Ltd. Has been appointed as the Information and Exchange Agent for the Exchange Offers. Questions concerning tender procedures should be directed to the Information and Exchange Agent via email and



at the address and telephone numbers listed on the back cover of this exchange offer memorandum. Holders of the Old Notes may also contact their broker, dealer, commercial bank, trust company or other nominee or custodian for assistance concerning the Exchange Offers. We will pay the Information and Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses. We have agreed to indemnify the Information and Exchange Agent against certain liabilities, including liabilities arising under the U.S. federal securities laws.

### **Dealer Managers**

We have retained Haitong International Securities Company Limited and Guotai Junan Securities (Hong Kong) Limited to act as the Dealer Managers for the Exchange Offers. We have agreed to pay the Dealer Managers reasonable and customary fees for their services and we will reimburse the Dealer Managers for their reasonable out-of-pocket expenses. The obligations of the Dealer Managers to perform their functions are subject to various conditions. We have agreed to indemnify the Dealer Managers against various liabilities, including various liabilities under the U.S. federal securities laws. Questions regarding the terms of the Exchange Offers may be directed to the Dealer Managers at their respective address and telephone number listed on the back cover of this exchange offer memorandum.

The Dealer Managers or certain of their respective affiliates have provided, from time to time, and in the future may provide, certain investment banking and financial advisory services to us and our affiliates, for which they have received, or in the future will receive, customary fees. In addition, the Dealer Managers or certain of their respective affiliates may have owned, currently own or may own, equity or equity-like securities of ours.

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

### **Announcements**

The commencement of the Exchange Offers, the final aggregate principal amount of the Old Notes tendered and accepted for exchange, the final total aggregate principal amount of the New Notes and the settlement of the Exchange Offers will be announced via the Exchange Website, and made through Euroclear or Clearstream, as applicable. All other announcements will be made through Euroclear or Clearstream. Announcements may also be published via a recognized financial news service or services (e.g. Reuters/Bloomberg) as selected by us. Significant delays may be experienced in publishing notices through Euroclear or Clearstream and the holders of the Old Notes are urged therefore to contact the Dealer Managers or the Information and Exchange Agent for the relevant announcements. All announcements will be made available by the Information and Exchange Agent on the Exchange Website.

### **Other Fees and Expenses**

We will bear the fees and expenses of soliciting tenders for the Exchange Offers. Tendering holders of the Old Notes will not be required to pay any fee or commission to the Dealer Managers or the Information and Exchange Agent. If, however, a tendering holder handles the transaction through its broker, dealer, commercial bank, trust company or other nominee or custodian, that holder may be required to pay brokerage fees or commissions to such broker, dealer, commercial bank, trust company or other nominee or custodian.

### **Transfer Taxes**

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

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

- a transfer tax is imposed for any reason other than the exchange of the Old Notes under the Exchange Offers.

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

**Source of Funds for the Exchange Offers**

We intend to fund all cash payments to Eligible Holders pursuant to the Exchange Offers, represented by the cash portion of the Exchange Consideration from our internal funds.

## EXCHANGE RATE INFORMATION

### PRC

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On May 18, 2007, the PBOC enlarged, effective on May 21, 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate. The floating band was further widened to 1.0% on April 16, 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9% from July 21, 2005 to December 31, 2013. On March 14, 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0%. Following an announcement by the PBOC on August 11, 2015 to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Center daily before the opening of the interbank foreign exchange market, Renminbi depreciated significantly against the U.S. dollar in the remainder of 2015 and 2016 before rebounding in 2017. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. In August 2019, the People's Bank of China on 5 August 2019 set the RMB's daily reference rate above RMB7.0 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

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

Period	Noon Buying Rate			
	Period End	Average	High	Low
	(RMB per US\$1.00)			
2017.....	6.5063	6.7350	6.9575	6.4773
2018.....	6.8755	6.6090	6.9737	6.2649
2019.....	6.9618	6.9081	7.1786	6.6822
2020.....	6.5250	6.9042	7.1681	6.5208
2021.....	6.3726	6.4508	6.5716	6.3435
December.....	6.3726	6.3693	6.3772	6.3435
2022				
January.....	6.3610	6.3556	6.3822	6.3206
February.....	6.3084	6.3436	6.3660	6.3084
March.....	6.3393	6.3446	6.3720	6.3116
April.....	6.6080	6.4310	6.6243	6.3590
May.....	6.6715	6.6990	6.7880	6.6079
June (through June 17).....	6.7160	6.6948	6.7530	6.6534

*Note:*

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

## Hong Kong

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

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK\$7.80 to US\$1.00 since the peg was first established. However, in May 2005, the Hong Kong Monetary Authority broadened the 22-year old trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong Special Administrative Region government has stated its intention to maintain the link at that rate and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong Special Administrative Region government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong Special Administrative Region government will maintain the link at HK\$7.75 to HK\$7.85 per U.S. dollar, or at all.

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

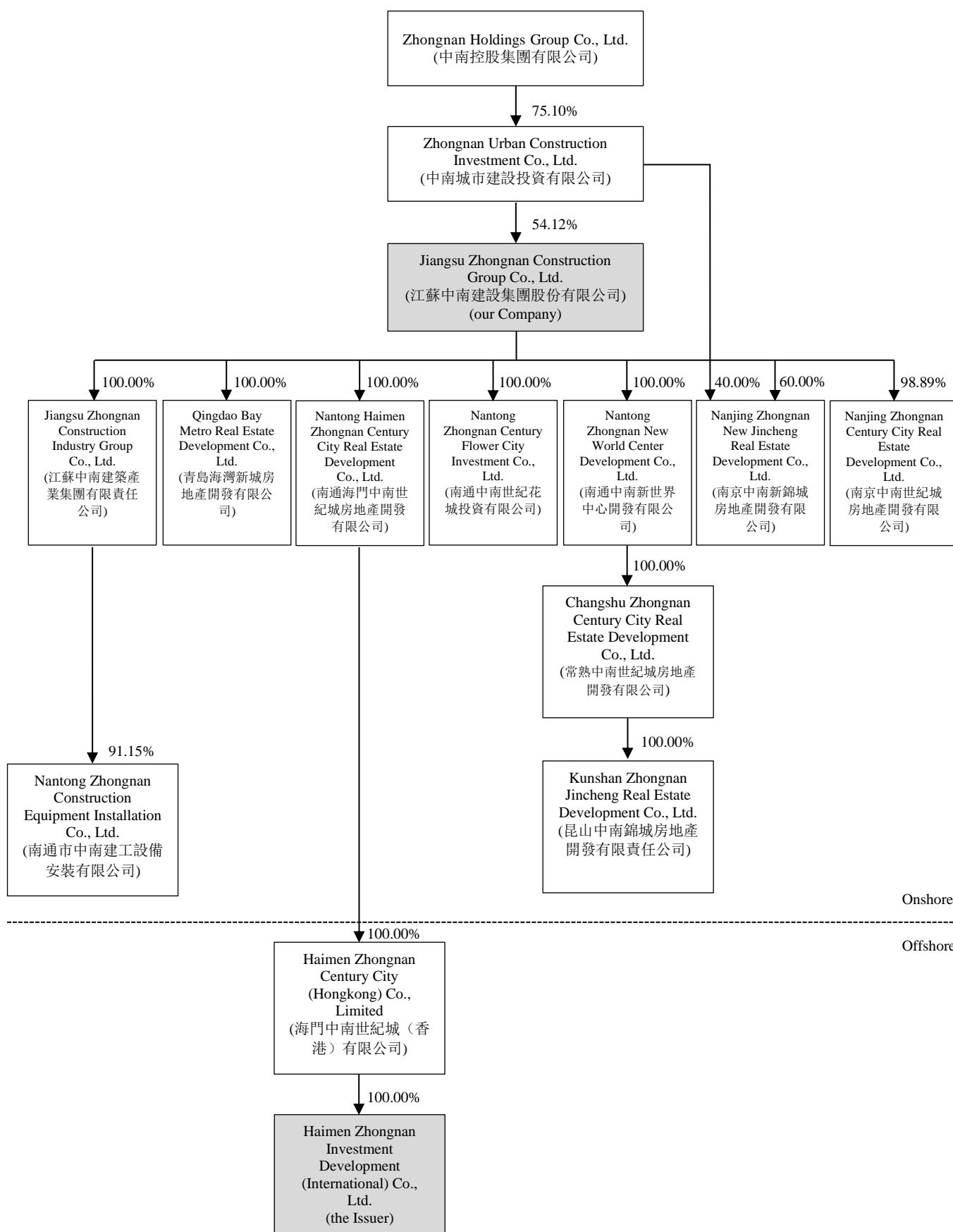
Period	Period End	Noon Buying Rate		
		Average	High	Low
		(HK\$ per US\$1.00)		
2017.....	7.8128	7.7926	7.8267	7.7540
2018.....	7.8305	7.8376	7.8499	7.8043
2019.....	7.7894	7.8351	7.8499	7.7850
2020.....	7.7534	7.7559	7.7951	7.7498
2021.....	7.7996	7.7727	7.8034	7.7515
December.....	7.7996	7.7990	7.8034	7.7914
2022				
January.....	7.7971	7.7917	7.8001	7.7850
February.....	7.8137	7.7992	7.8137	7.7894
March.....	7.8325	7.8228	7.8325	7.8129
April.....	7.8465	7.8414	7.8476	7.8340
May.....	7.8468	7.8490	7.8499	7.8468
June (through June 17).....	7.8498	7.8481	7.8499	7.8446

Note:

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

## CORPORATE STRUCTURE

The following diagram sets forth a simplified corporate structure of the Group as of December 31, 2021:



## DESCRIPTION OF THE ISSUER

The Issuer was incorporated as a BVI business company with limited liability under the BVI Business Companies Act, 2004 (as amended) in the BVI on June 1, 2017. Its BVI company number is 1946796 and its registered office is located at Sea Meadow House, P.O. Box 116, Road Town, Tortola, VG1110, BVI. The Issuer is directly and wholly-owned by Haimen Zhongnan Century City (Hongkong) Co., Limited (海門中南世紀城(香港)有限公司), which is a limited liability company incorporated in Hong Kong, directly and wholly-owned by Nantong Haimen Zhongnan Century City Real Estate Development Co., Ltd. (南通海門中南世紀城房地產開發有限公司), a directly wholly-owned subsidiary of the Company.

Under the Issuer's memorandum of association, the Issuer may carry on or undertake any business or activity, and do any act or enter into any transaction that is not prohibited under any law for the time being in force in the BVI. The Issuer's primary purpose is to act as one of the Company's financing subsidiaries to issue and hold the New Notes and other indebtedness and debt instruments. However, so long as the New Notes are outstanding, the Issuer will limit its permitted activities as described under "*Description of the New Notes – Certain Covenants – Limitation on the Issuer's Activities.*" The Issuer will remain as the Company's wholly-owned subsidiary as long as the New Notes are outstanding.

The sole director of the Issuer is Mr. Xin Qi. As of the date of this exchange offer memorandum, no part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. The Issuer has no subsidiaries.

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

## BUSINESS

### OVERVIEW

We are a leading property developer and one of the top private construction companies in China. Rooted in the building construction industry with more than 30 years' experience, we are the sole private construction company in China that holds both the Premium-class Housing Construction EPC Qualification and the Grade-A Construction Engineering Design Qualification. These top class construction qualifications have been granted to only four construction companies in China by the MOHURD. Moreover, we were ranked 193rd among the 2021 "Top 250 International Contractors" by the ENR in terms of overall business performance as measured by multiple parameters such as operating income, profits and value of newly-signed contracts. Our ranking in the ENR has surpassed a number of large-scale state-owned construction companies and most private constructors in China. Leveraging our strengths in the construction industry and to capitalize on the property industry in China, we expanded into property development industry in 2005. We have developed into a leading and an integrated property developer and building constructor after years of strategic growth. In recognition of our business success and outstanding performance in China's property development sector, we were ranked 16th among the 2021 Top 20 China Real Estate Developers and fifth among the 2021 Top 10 Real Estate Enterprises in Commercial Property Operation in China by the China Real Estate Association (中國房地產協會) and China Real Estate Appraisal Centre of Shanghai E-house China R&D Institute (上海易居房地產研究院中國房地產測評中心). We were also ranked 18th among the 2019 Top 100 Real Estate Enterprises in China by research institutes under the State Council and Tsinghua University.

We have built a proven track record of success and have engaged in the construction of a large number of landmark projects in China and overseas, such as Beijing Olympic (Bird's Nest) Stadium, National Theatre, Terminal 3 of Beijing Capital Airport, a government office building in The Republic of Togo and a large-scale property development project in Algeria. Many projects undertaken by us have received high market recognition and prestigious awards in China for their construction quality, safety and innovative construction techniques, such as the Lu Ban Award for China Construction Engineering (中國建築工程魯班獎), being the most prestigious award given by the MOHURD for construction quality excellence, and the National High Quality Project Award (國家優質工程獎), which is the highest honor for construction quality awarded by the National Engineering Construction Quality Award Evaluation Committee (國家工程建設質量獎評審委員會) in China. We were ranked eighth among Top 500 Construction Enterprises in China in 2017 by The China Construction Enterprises Management Association (中國建築企業管理協會), being the highest ranked construction company based in Jiangsu Province. We also became the first listed construction company in Jiangsu Province in 2008.

As of the date of this exchange offer memorandum, we have undertaken construction projects in 25 provinces, municipalities and autonomous regions in China, covering more than 100 cities. As of December 31, 2021, we have expanded our building construction business into nine overseas countries. We are mainly engaged in property construction and construction of public facilities. As of December 31, 2021, we had completed 390 property construction projects and 167 public facilities construction projects. We also had 172 property construction projects and 48 public facilities construction projects under construction as of the same date.

Underpinned by our industry experience and top qualifications in the building construction sector and success of our integrated business development strategy, we have become one of the leading property developers in China by tapping into rapid growth of its property industry over the past decades. Our brand name enjoys high recognition in Jiangsu Province and we have maintained high market share in the Yangtze River Delta Region. Leveraging our success in Jiangsu Province, we have further expanded our business into other strategically targeted cities such as Beijing, Shanghai, Nantong and Suzhou. A majority of our property development projects are residential in nature. We also engage in the development of commercial properties and public facilities properties as well as tourism properties and characteristic towns. Among the award-winning properties developed by us include Zhongnan Shopping Center (中南城購物中心), which was awarded "Company with Best Growth Potential in China" and Young Park which was awarded "China Best Innovative and Experience Commercial Property" by Commercial Real Estate Association (全聯房地產商會商業地產研究會) in 2017. We also benefit from our low-cost land acquisition strategy that enables us to maintain high profit margin in our property development business.

As of December 31, 2021, we had a total of 503 property development projects in China under different development stages, with a total completed GFA of approximately 50,419.7 thousand sq. m. and an aggregate GFA of approximately 22,438.4 thousand sq. m. remaining unsold. The annual contract sales of our property development business had reached RMB197.4 billion in 2021, representing a decrease of approximately 11.8% as

compared to 2020. Moreover, our strategically located quality land reserves also provide us with high growth potential. As of December 31, 2021, we had land reserves of approximately 41,348.9 thousand sq. m. in terms of total GFA under development and held for future development, covering 86 cities in China, among which approximately 66.3% are located in tier-1 and tier-2 cities. The following table sets forth the geographical distribution of our property development projects in China in terms of GFA completed, GFA under development and GFA held for future development as of December 31, 2021:

<b>Region/Provinces and Municipalities</b>	<b>Total GFA Completed (10,000 sq. m.)</b>	<b>Total GFA under Development (10,000 sq. m.)</b>	<b>Total GFA Held for Future Development (10,000 sq. m.)</b>
<b>Bohai Economic Rim Region</b>	<b>945.98</b>	<b>458.04</b>	<b>158.63</b>
Beijing	-	-	12.87
Hebei	51.41	72.33	22.44
Liaoning	107.13	24.68	8.45
Shandong	763.01	360.74	114.87
Tianjin	24.43	0.30	-
<b>Yangtze River Delta Region</b>	<b>3,184.82</b>	<b>1,579.17</b>	<b>343.81</b>
Anhui	67.86	66.57	26.49
Jiangsu	2,603.65	980.72	227.41
Shanghai	47.71	4.03	-
Zhejiang	465.60	527.85	89.91
<b>Central and Western China</b>	<b>643.85</b>	<b>673.13</b>	<b>492.76</b>
Chongqing	71.00	59.06	28.19
Guizhou	13.69	81.43	27.49
Henan	53.30	112.72	34.75
Hubei	138.96	14.35	18.36
Hunan	16.74	35.05	5.15
Shaanxi	53.36	206.52	48.48
Sichuan	196.01	15.40	36.44
Xinjiang	-	73.87	76.90
Yunnan	100.79	71.48	175.60
Gansu	-	3.25	41.39
<b>Pearl River Delta</b>	<b>267.32</b>	<b>264.04</b>	<b>165.31</b>
Fujian	46.63	85.95	5.08
Guangdong	59.36	93.69	46.32
Hainan	125.73	10.37	43.39
Guangxi	35.60	74.03	70.52
<b>Total</b>	<b>5,041.97</b>	<b>2,974.38</b>	<b>1,160.51</b>

Leveraging our strengths in the property and construction industries in China, we have expanded into other business lines including hotel operations and property management. As of December 31, 2021, we had 37 hotels in operation, 30 of which are directly operated by us and the remaining seven are entrusted to third parties. Our Jinshi Boutique Hotel was awarded “Most Valuable Boutique Hotel Brand in China” in 2016. We also generate rental income through leasing of the nine shopping malls held by us with a total rentable area of approximately 351.1 thousand sq. m. and an occupancy rate of 92.1% as of December 31, 2021.

By virtue of our business success, we have achieved rapid development in recent years. For the years ended December 31, 2019, 2020 and 2021 our total operating income was RMB71,830.8 million, RMB78,600.8 million and RMB79,210.5 million (US\$12,429.9 million), respectively. For the years ended December 31, 2019 and 2020, our net profit was RMB4,622.6 million and RMB7,804.1 million, respectively, and for the year ended December 31, 2022, we recorded a net loss of RMB3,305.6 million (US\$518.7 million). As of December 31, 2021, we had total assets of RMB367,976.5 million (US\$57,743.5 million).



## **RECENT DEVELOPMENTS**

### **Downgrade of our Credit Rating by Golden Credit Rating**

On February 24, 2022, Golden Credit Rating announced the downgrade of our credit rating from AA+ to AA. According to the announcement, Golden Credit Rating downgraded our credit rating due to the following incidents: (i) there was an expected decline in the Group's results of operations in 2021; (ii) the Group faced concentrated redemption pressure from its onshore and offshore indebtedness due within one year; and (iii) a number of our subsidiaries were included in the continuous default list as of January 31, 2022.

### **Unaudited Quarterly Results for the Three Months Ended March 31, 2022**

We are a listed company on the SZSE and therefore are subject to applicable disclosure requirement of a listed company. We also from time to time issue corporate bonds in the domestic capital markets in the PRC. According to applicable PRC listing rules and securities regulations on debt capital markets, we are required to publish our quarterly, semi-annual and annual financial information and certain preliminary operating results to satisfy our continuing disclosure obligations. These preliminary financial information and operating results are normally derived from our management accounts which have not been audited or reviewed by independent auditors and do not provide the same quality of information associated with financial information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations.

On April 30, 2022, we published the 2022 First Quarterly Report with preliminary operating results for the three months ended March 31, 2022 on the SZSE. The 2022 Quarterly Financial Statements included therein have not been audited or reviewed by any independent auditor and may be subject to further adjustments. Such financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or a review. Such unaudited and unreviewed assessment should not be taken as an indication of our business, financial condition or results of operation expected for this period and potential investors should not rely on such quarterly financial information to evaluate our financial condition and results of operation for this period or the full year ending December 31, 2022. For the avoidance of doubt, the 2022 Quarterly Financial Statements are not incorporated by reference herein and do not constitute part of this exchange offer memorandum.

For the three months ended March 31, 2022, we recorded a significant decrease in total operating income, which was primarily attributable to a decrease in our property development projects proceeded to settlement as compared to the same period in 2021. In line with a decrease in total operating income, we also recorded a decrease in operating cost as compared to the same period in 2021. As a result of the foregoing, our operating profit and net profit for the three months ended March 31, 2022 also recorded a significant decrease as compared to the same period in 2021. As of March 31, 2022, our total assets and total liabilities remained at a relatively stable level as compared to the balances as of December 31, 2021.

None of the Dealer Managers, the Solicitation Agents, the Trustees, the Agents, the Information and Exchange Agent or any person who controls any of them or any of their respective directors, officers or advisors makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to, us or our business, financial condition or results of operation.

According to the 2022 First Quarterly Report, we recorded aggregate contract sales of approximately RMB16.3 billion from our property development segment for the three months ended March 31, 2022, representing a decrease of approximately 66.3% as compared to the same period in 2021. The decrease was mainly attributable to unfavourable general market conditions in the real estate sector. With respect to our construction segment for the three months ended March 31, 2022, which has also been adversely affected by the unfavourable general market conditions, the estimated total contract value of our newly undertaken construction projects was approximately RMB1.0 billion, representing a decrease of approximately 89.5% as compared to the same period in 2021. The published preliminary operating results for the three months ended March 31, 2022 have not been audited or reviewed by our auditor.

### **Downgrade of our Credit Rating by Moody's**

On April 29, 2022, Moody's downgraded the long-term corporate credit rating of the Company to "B3" from "B2", and downgraded the senior unsecured rating on the U.S. dollar denominated notes issued by Issuer and guaranteed by the Company to "Caa1" from "B3", reflecting the Company's weakening liquidity and credit metrics, with the outlook for both the Issuer and the Company remaining negative.

### **Strategic Cooperation Agreement for Business Transformation and Development**

On May 9, 2022, we published an announcement on the SZSE that our controlling shareholder, Zhongnan Holdings Group Co., Ltd. (中南控股集團有限公司), had entered into the Strategic Cooperation Agreement with China Huarong Asset Management Co., Ltd. Jiangsu Branch (中國華融資產管理股份有限公司江蘇省分公司), Nantong Affordable Housing Construction Investment Co., Ltd. (南通市保障房建設投資有限公司), Nantong Industry Holding Group Co., Ltd. (南通產業控股集團有限公司) and Jiangsu Haisheng Holding Group Co., Ltd. (江蘇海晟控股集團有限公司). The Strategic Cooperation Agreement is aimed at, inter alia, supporting our business transformation and development. Pursuant to the Strategic Cooperation Agreement, we expect to receive support for our operation to facilitate, among other things, resumption of production in relation to our construction projects under construction, merger and acquisition of premium projects and revitalization of our PPP projects.

### **Downgrade and Withdrawal of our Credit Rating by S&P**

On May 10, 2022, S&P downgraded the long-term issuer credit rating of the Company to "CCC+" from "B-", and downgraded the long-term issue rating on the U.S. dollar denominated notes guaranteed by the Company to CCC from CCC+, reflecting the Company's weakening liquidity profile and perceived difficulty in reducing its debts. Following the downgrade, S&P withdrew the credit rating of the Company at the Company's request.

### **Sale of Subsidiary to Related Party**

We plan to sell all of our equity interest in our wholly-owned subsidiary, Nantong Jinshi Garden Hotel Co., Ltd. (南通金石世苑酒店有限公司), which is primarily engaged in hotel management, to a related party which is owned as to 99.9% by our director and general manager, Ms. Chen Yuhua, for a consideration of approximately RMB333.2 million (the "Subsidiary Sale"). The Subsidiary Sale is expected to allow us to focus on our main business as well as to provide safeguard to our business operation, and has been approved by both our independent directors on May 5, 2022 and our board of directors on May 11, 2022. The Subsidiary Sale is currently pending approval by our shareholders. Following the Subsidiary Sale, Nantong Jinshi Garden Hotel Co., Ltd. will no longer be consolidated into our Group.

### **Redemption of Onshore Debt Securities at Maturity**

On May 11, 2022, we fully redeemed our domestic corporate bonds titled "17 Zhongnan 01" (17 中南 01) in an aggregate outstanding principal amount of RMB1 million. 17 Zhongnan 01 was issued on December 14, 2017, with a tenor of five years. On May 11, 2022, we fully redeemed our domestic corporate bonds titled "20 Zhongnan 01" (20 中南 01) in an aggregate outstanding principal amount of RMB1,919,000. 20 Zhongnan 01 was issued on March 6, 2020, with a tenor of four years.

### **Completion of the Exchange Offers Relating to the Old Notes and the Consent Solicitation Relating to the 2024 Notes**

From May 24, 2022 to June 2, 2022, we conducted exchange offers for the Old Notes. A total of US\$165,276,000 principal amount of Old Notes were validly tendered for exchange and accepted by us. Upon cancellation of these Old Notes, the remaining outstanding principal amounts of the 2019 Notes and the 2021 Notes are US\$18,090,000 and US\$39,484,000 respectively. In exchange of the validly tendered and accepted Old Notes, we have issued US\$157,012,200 principal amount of the Original New Notes pursuant to the exchange offers. The Original New Notes were listed on the SGX-ST on June 7, 2022.

Concurrently with the Exchange Offers, we conducted the Consent Solicitation pursuant to which we solicited the 2024 Requisite Consents to amend certain terms of the 2024 Notes Indenture. The Consent Solicitation expired at 4:00 p.m., Hong Kong time, on June 2, 2022. As of the expiration deadline of the Consent Solicitation, the 2024 Notes Requisite Consents in respect of the 2024 Notes had been obtained. As of the same date, the

supplemental indenture to the 2024 Notes Indenture giving effect to certain amendments to the 2024 Notes Indenture was executed and became effective and binding on all holders of the 2024 Notes.

### **Maturity and Delisting of the Old Notes**

The 2021 Notes matured on June 8, 2022 and the 2019 Notes matured on June 18, 2022. The 2021 Notes and the 2019 Notes were delisted from the HKSE upon their maturity, respectively.

### **HONORS AND AWARDS**

By virtue of our established industry prestige and proven track record, we have been awarded numerous recognitions and honors over the years.

<b>Year</b>	<b>Honors and Awards</b>
2021.....	<p>We were ranked 1st among the “Top 5 A-share Listed Property Development Companies with Innovation Capability in China”(中國房地產上市公司創新能力 5 強), 8th among the “Top 10 A-share Listed Property Development Companies in China”(中國房地產上市公司 A 股 10 強) and 17th among the “Top 20 A-share Listed Property Development Companies in China in terms of Comprehensive Strengths”(中國房地產上市公司綜合實力 20 強) by China Real Estate Association (中國房地產產業協會) and China Real Estate Appraisal Centre of Shanghai E-house China R&amp;D Institute (上海易居房地產研究院中國房地產測評中心), and one of the “Top 10 A-share Listed Property Development Companies in ESG Development”(中國上市房企 ESG 發展標杆 10 強) by EH Consulting (億翰智庫).</p> <p>We were ranked 5th among the “Top 10 Property Development Companies in China in Commercial Real Estate Operations”(中國房地產開發企業商業地產運營 10 強) by China Real Estate Association (中國房地產產業協會) and China Real Estate Appraisal Centre of Shanghai E-houseChina R&amp;D Institute (上海易居房地產研究院中國房地產測評中心), and was recognized in the list of “2021 Outstanding Business Management Companies in the Shopping Center Industry in China”(中國購物中心行業 2021 年度商業管理公司卓越榜) by Mall China (中購聯)</p> <p>We were ranked 193rd among the 2021 “Top 250 International Contractors” by the ENR.</p>
2020-2021.....	<p>We were ranked 16th among “Top 20 China Real Estate Developers”(中國房地產開發企業 20 強) and 5th among “Top 10 Real Estate Enterprises in Commercial Property Operation in China”(中國房地產企業商業地產運營 10 強) by the China Real Estate Association (中國房地產產業協會) and China Real Estate Appraisal Centre of Shanghai E-house China R&amp;D Institute (上海易居房地產研究院中國房地產測評中心).</p>
2020.....	<p>We were ranked 15th among “Top 200 Real Estate Enterprises in China in terms of Comprehensive Strengths”(中國房企綜合實力 TOP200) and 16th among “Top 100 Real Estate Enterprises in China in terms of Brand Value”(中國房企品牌價值 TOP100) by EH Consulting (億翰智庫).</p> <p>We were ranked among “Top 20 Real Estate Enterprises in China in terms of Operating Capabilities”(中國房地產企業運營能力 20 強), “Top 20 Real Estate Enterprises in China in terms of Brand Value Growth”(中國房地產企業品牌價值成長性 20 強) and “Top 10 Real Estate Enterprises in</p>

Year	Honors and Awards
	<p>China in terms of Competitive Strengths in the Yangtze River Delta”（中國房地產企業長三角競爭力 10 強）by EH Consulting（億翰智庫）.</p> <p>We were ranked among “Top 10 A-share Listed Property Development Companies in China”（中國房地產上市公司 A 股 10 強）by the China Real Estate Association（中國房地產業協會）and China Real Estate Appraisal Centre of Shanghai E-house China R&amp;D Institute（上海易居房地產研究院中國房地產測評中心）.</p> <p>Zoina Land（中南置地）was granted the 2020 Jinling Award（金瓊獎）”Influential Real Estate Enterprise”（影響力地產企業）by China Times（華夏時報）and the Expert Advisory Group of Huaxia Real Estate（華夏地產專家顧問團）.</p> <p>We were granted the “China Commercial Real Estate Operation Management Innovation Award”（中國商業地產運營管理創新獎）by China Real Estate Chamber of Commerce（全聯房地產商會）and the “Golden Lily Shopping Center Best Practice in Innovation (Five-Star Case)”（金百合購物中心創新最佳實踐五星案例）by China Chain Store &amp; Franchise Association（中國連鎖經營協會）.</p> <p>We were ranked 240th among the 2020 “Top 250 International Contractors” by the ENR.</p>
2019 .....	<p>We were ranked 18th among the 2019 Top 100 Real Estate Enterprises in China by research institutes under the State Council and Tsinghua University.</p> <p>We were ranked among “Top 12 Commercial Real Estate Enterprises in China”（中國商業地產 12 強）by the China Real Estate Association（中國房地產業協會）.</p> <p>We were ranked 17th among “Top 20 China Real Estate Developers”（中國房地產開發企業 20 強）and 5th among “Top 10 Real Estate Enterprises in Commercial Property Operation in China”（中國房地產企業商業地產運營 10 強）by the China Real Estate Association（中國房地產業協會）and China Real Estate Appraisal Centre of Shanghai E-house China R&amp;D Institute（上海易居房地產研究院中國房地產測評中心）.</p> <p>We were ranked 212th among the 2019 “Top 250 International Contractors” by the ENR.</p> <p>We were recognized as one of the most socially responsible listed companies（最具社會責任上市公司）by National Business Daily（每日經濟新聞）.</p> <p>We were ranked among “Top 50 Best Property Development Employers in China”（中國房地產最佳僱主企業 50 強）by the China Real Estate Association（中國房地產業協會）, China Real Estate Appraisal Centre of Shanghai E-house China R&amp;D Institute（上海易居房地產研究院中國房地產測評中心）and E-house Employer Appraisal Centre（易居企業集團僱主測評中心）.</p>

Year	Honors and Awards
2018 – 2019	We were ranked among “Top 10 Real Estate Enterprises in China in relation to Operational Efficiency” (中國房地產企業運營效率 10 強) by research institutes under the State Council and Tsinghua University.
2018	<p>We were ranked 19th among “Top 20 China Real Estate Developers” (中國房地產開發企業 20 強) by the China Real Estate Association (中國房地產業協會) and China Real Estate Appraisal Centre of Shanghai E-houseChina R&amp;D Institute (上海易居房地產研究院中國房地產測評中心).</p> <p>We were ranked among “Top 10 Commercial Real Estate Enterprises in China” (中國商業地產 10 強) by research institutes under the State Council and Tsinghua University.</p> <p>We were ranked among “Top 100 Excellent Real Estate Enterprises in China” (中國房地產卓越 100 榜) by Guandian Index Academy (觀點指數研究院) under Guandian Property &amp; Co. (觀點地產機構).</p> <p>We were recognized as an Excellent Construction Enterprise (全國優秀企業) by the China Construction Association (中國施工協會).</p> <p>We were ranked among “Top 100 Most Competitive Construction Enterprises” (全國建築業競爭力百強) by the China Construction Industry Association (中國建築業協會).</p> <p>We were recognized as the best enterprise in the construction industry in Jiangsu Province (江蘇省建築業最佳企業) by Jiangsu Construction Industry Association (江蘇省建築行業協會) for six consecutive years.</p> <p>We were recognized as an excellent enterprise entering Beijing (外地進京優秀企業) for three consecutive years by the Beijing Municipal Bureau of Construction (北京市建設委員會).</p> <p>We were ranked 222th among the 2018 “Top 250 International Contractors” by the ENR.</p> <p>We were recognized as a National AAA Engineering Construction Contractor for five consecutive years.</p> <p>We were ranked among “Top 10 Charitable Enterprise in China” by the China Philanthropy Times (中國公益時報)</p>
2017 – 2018	We were ranked among “Top 10 A-share Listed Property Development Companies in China” (中國房地產上市公司 A 股 10 強) by the China Real Estate Association (中國房地產業協會) and China Real Estate Appraisal Centre of Shanghai E-house China R&D Institute (上海易居房地產研究院中國房地產測評中心)
2017	<p>We were ranked 8th among “Top 500 Construction Enterprises in China” (中國建築企業 500 強) by the Chinese Construction Enterprises Management Association.</p> <p>We were ranked 6th among “Top 50 Contractors in China” (中國最佳建築承包商 50 強).</p>

<b>Year</b>	<b>Honors and Awards</b>
2016.....	We were ranked 9th among “Top 80 Chinese Contractors” by the ENR and the Construction Times.

## **MILESTONES**

The following summary sets forth certain of our milestone events since our inception:

1988.....	The predecessor of our controlling shareholder, Zhongnan Group, commenced its operations as a construction service provider led by our chairman, Mr. Chen Jinshi.
1998.....	Our predecessor, Dalian Jinniu Company Limited (大連金牛股份有限公司), was established as a joint stock company in July 1998.
2001.....	We acquired Nantong Construction General Contracting Co., Ltd (南通建築工程總承包有限公司) and obtained the Premium-class Housing Construction EPC Qualification.  We obtained the first-class housing construction EPC qualification (國家房屋建築工程施工總承包企業一級資質)
2005.....	We obtained a large-scale building construction project in relation to Nantong Central Business District (南通中央商務區) and Nantong Sports Conference and Exhibition Center (南通體育會展中心) with a total GFA over 2,000,000 sq.m.  We began to build up our Zhongnan Century City (中南世紀城) brand and to expand our property development business into the large-scale property development segment.
2007.....	We acquired Beijing Urban Construction Municipal Subway Foundation Engineering Co. Ltd (北京城建地鐵地基市政工程有限公司) to expand into municipal, public transportation and highway construction and to diversify our building construction business.
2008.....	We became a SSE-listed company in China through the acquisition and reorganization of Dalian Jinniu Company Limited (大連金牛股份有限公司). We became the first listed construction company in Jiangsu Province and the first listed company in Haimen.
2009.....	We issued our new shares on the SZSE and Dalian Jinniu Company Limited (大連金牛股份有限公司), our predecessor, was renamed to Jiangsu Zhongnan Construction Group Co., Ltd.
2009 – 2010.....	We acquired lands in cooperation with local governments and increased our land reserves.  We began to transform and reposition ourselves as an urban complex operator (城市綜合體運營商)
2012.....	We undertook our first tourism and culture property development project in Yantai.  We obtained the premium-class housing construction EPC qualification (國家房屋建築工程施工總承包企業特級資質), which was only given to four construction companies in China.

2014.....	<p>We further expanded our property development business into Northern China through undertaking a tourism property project in Tangshan, Hebei Province.</p> <p>Nantong Zhongnan Department Store（南通中南百貨）was founded, representing a big leap in our commercial property development business.</p>
2016.....	<p>We expanded our property development business into various new regional markets, such as Tianjin, Hangzhou, Wuhan and Wuxi. We launched our first minority investment-based（小股操盤）property development project.</p> <p>We undertook several large-scale PPP projects, representing a breakthrough in our infrastructure and PPP construction business.</p>
2018.....	We launched the “Healthy TED Community”（健康 TED 社區）Series, which promoted a healthy living style.
2019.....	<p>On June 18, 2019, the Issuer issued the 10.875% guaranteed senior notes due 2022 in an aggregate principal amount of US\$350.0 million and further issued the 10.875% guaranteed senior notes due 2022 in an aggregate principal amount of US\$50.0 million on June 25, 2019 and the 10.875% guaranteed senior notes due 2022 in an aggregate principal amount of US\$100.0 million on July 16, 2019. The 2019 Notes we further issued have consolidated and formed a single series with the original 2019 Notes. The 2019 Notes are unconditionally and irrevocably guaranteed by us.</p>
2020.....	<p>On August 4, 2020, the Issuer issued the 9.00% guaranteed senior notes due 2021 in an aggregate principal amount of US\$200.0 million (the “2020 August Notes”). The 2020 August Notes are unconditionally and irrevocably guaranteed by us.</p>
2021.....	<p>On April 7, 2021, the Issuer issued the 11.50% guaranteed senior notes due 2022 in an aggregate principal amount of US\$250.0 million. The 2024 Notes are unconditionally and irrevocably guaranteed by us.</p> <p>In April 2021, the 2019 Notes in principal amount of US\$190.25 million were accepted for exchange by us and cancelled. We further repurchased and cancelled the 2019 Notes in principal amount of US\$10.0 million in April 2021, US\$216.9 million in June 2021 and US\$10.0 million in July 2021.</p> <p>On June 9, 2021, the Issuer issued the 12.00% guaranteed senior notes due 2022 in an aggregate principal amount of US\$150.0 million. The 2021 Notes are unconditionally and irrevocably guaranteed by us.</p>

We are mainly engaged in property development and building construction businesses. Leveraging our strengths in the property industry in China and to diversify our business portfolios, we have also expanded into hotel operation and property development sectors. The table below sets forth a breakdown of our operating income by business lines for the periods indicated:

	For the year ended December 31,					
	2019		2020		2021	
	Operating Income	%	Operating Income	%	Operating Income	%
	(Audited)		(Audited)		(Audited)	(Unaudited and unreviewed)
	(RMB in '000)		(RMB in '000)		(RMB in '000)	(US\$ in '000)
Property Development.....	51,586,577	71.8%	58,570,223	74.5%	56,029,035	8,792,178
Building Construction .....	19,063,126	26.6%	19,081,767	24.3%	22,050,475	3,460,201
Hotel Operation, Property Management and Others .....	1,181,083	1.6%	948,859	1.2%	1,130,996	177,478
Total operating income .....	<b>71,830,786</b>	<b>100.0%</b>	<b>78,600,848</b>	<b>100.0%</b>	<b>79,210,506</b>	<b>12,429,857</b>
						<b>100.0%</b>

## Property Development

### Overview

We mainly focus on developing residential properties in the Yangtze River Delta Region, Pearl River Delta Region and core cities in China. We offer a wide spectrum of high-quality residential products. Our diversified residential properties target at both mass market and middle to upper-middle income households. To diversify our products mix, we also develop commercial properties. Our commercial properties primarily include office buildings, retail shops and hotels, some integrated with, or in the vicinity of, the residential properties.

Our property development business primarily focus on Jiangsu Province, Zhejiang Province and Shandong Province. We have a relatively higher market share in first and second-tier cities such as Suzhou, Nanjing, Nantong, Zhenjiang and Yancheng. As of the date of this exchange offer memorandum, we have expanded our property development business into 23 provinces, municipalities and autonomous regions, covering 118 cities in China in total.

The following table sets forth the annual contract sales of our property development business, total GFA sold and the average selling price per sq. m. (calculated by dividing the annual contract sales from property development business by the total GFA sold) for the periods indicated:

	As of December 31,			
	2019	2020	2021	
<b>Annual contract sales</b> .....	RMB196.1 billion	RMB223.8 billion	RMB 197.4 billion	US\$31.0 billion
Including: annual contract sales as measured by interest attributable to the Group .....	RMB122.5 billion	RMB134.9 billion	RMB121.0 billion	US\$19.0 billion
<b>Total GFA sold</b> .....	15.4 million sq. m.	16.9 million sq. m.	14.7 million sq. m.	14.7 million sq. m.
Including: total GFA sold as measured by interest attributable to the Group .....	9.8 million sq. m.	10.0 million sq. m.	8.9 million sq. m.	8.9 million sq. m.
<b>Average selling price</b> .....	RMB12,725 per sq. m.	RMB13,281 per sq. m.	RMB13,439 per sq.m.	US\$2,108.9 per sq. m.

### Project Information

We typically classify our properties at different development stages to the following three categories:

#### Categories

Completed properties .....	comprising properties with certificates of completion (including completed properties that have been sold)
Properties under development .....	comprising properties for which we have obtained the construction work commencement permits but not yet the certificates of completion
Properties held for future development .....	comprising properties for which we have obtained the land use rights certificates and intend to hold for future development and properties for which we have not obtained the land use rights certificates, but have entered into the land grant contracts or the project company equity transfer agreements



As our projects typically comprise multiple-phase developments, one project may include different phases that are at various stages of development and completion. The following table sets forth certain key information of our property development projects in China as of December 31, 2021<sup>(1)(2)</sup>:

No.	Project Name	Interest Attributable to the Group	City	Location	Aggregate Site Area (10,000 sq. m.)	Total Saleable Area (10,000 sq. m.)	Total GFA Commenced in 2021 (10,000 sq. m.)	Total GFA Completed in 2021 (10,000 sq. m.)	Total GFA Completed (10,000 sq. m.)	Total GFA Under Development as of December 31, 2021 (10,000 sq. m.)	Total Planned GFA Held for Future Development as of December 31, 2021 (10,000 sq. m.)
1	Spanish Palace (錦庭)	99%	Shanghai	Fengxian District	2.09	4.81	-	-	4.81	-	-
2	Royal Park (君悅府)	100%	Shanghai	Qingpu District	1.94	3.88	-	-	3.88	-	-
3	Westown (西虹橋壹號)	40%	Shanghai	Qingpu District	3.63	9.07	-	-	9.07	-	-
4	HI-PARK	100%	Shanghai	Fengxian District	2.02	4.03	-	-	-	4.03	-
5	Xanadu Park (桐南美麓)	40%	Shanghai	Fengxian District	8.79	15.82	-	-	15.82	-	-
6	Zhelin Phoenix Valley (鳳鳴美穀)	33%	Shanghai	Fengxian District	3.46	9.97	-	9.97	9.97	-	-
7	Changxing Island Polaris Land (江山美宸)	11%	Shanghai	Chongming District	3.46	4.16	-	-	4.16	-	-
8	Gongyuan Lizhe (公元禮著)	51%	Changzhou	Tianning District	3.72	4.47	1.91	-	-	4.47	-
9	Leisurely Courtyard (上悅城)	49%	Changzhou	Wujin District	5.33	10.67	3.63	-	-	10.67	-
10	Majestic Mansion (文瀾國賓)	50%	Changzhou	Wujin District	5.51	12.11	-	-	-	12.11	-
11	Hongxitai (紅熙台)	50%	Changzhou	Zhonglou District	5.14	11.31	-	11.31	11.31	-	-
12	Belief Regression (熙悅)	32%	Huaian	Huaian District	6.29	15.61	-	-	15.61	-	-
13	Jade Life (瑤悅)	32%	Huaian	Huaian District	5.65	14.13	0.87	-	-	14.13	-
14	Blossom Palace (瓊悅)	25%	Huaian	Huaian District	4.32	10.82	-	-	10.82	-	-
15	Huai Nature (Yin) 2020 No.10 Plot (淮自然(陰)掛2020第10號地塊)	51%	Huaian	Huaiyin District	7.96	23.87	16.74	-	-	16.74	7.13
16	Huai Nature (Yin) 2020 No.3 Plot (淮自然(陰)掛2020第3號地塊)	34%	Huaian	Huaiyin District	3.95	9.87	9.87	-	-	9.87	-
17	Majestic Mansion (觀淮府)	55%	Huaian	Huaiyin District	6.71	17.92	1.81	-	-	17.92	-
18	Anliang Plot (安良地塊)	26%	Huaian	Huaiyin District	5.73	17.18	17.18	-	-	17.18	-
19	Century City (世紀城)	100%	Huaian	Qingpu District	41.77	91.89	-	-	91.89	-	-
20	Zoima Mansion (樾府)	100%	Huaian	Qingpu District	3.09	5.55	-	1.10	3.96	1.59	-
21	Metropolitan (淮海天宸)	34%	Huaian	Qingpu District	8.81	26.44	-	-	-	26.44	-
22	Leisurely Courtyard (上悅城)	65%	Lianyungang	Guannan County	10.22	22.48	6.31	7.41	7.41	7.59	7.48
23	Majestic Mansion (禦園)	30%	Nanjing	Gaochun District	10.12	15.18	-	-	15.18	-	-
24	Parasol Tree Mansion (梧桐公館)	50%	Nanjing	Gaochun District	5.37	7.89	-	-	-	7.89	-
25	Parasol Tree Mansion Phase II (梧桐公館二期)	40%	Nanjing	Gaochun District	5.61	7.85	7.85	-	-	7.85	-
26	Urban Oasis (璞境)	50%	Nanjing	Jianye District	3.49	8.73	5.59	-	-	8.73	-
27	Flower in the Valley (山錦花城)	94%	Nanjing	Jiangning District	8.92	15.16	-	-	15.16	-	-
28	Living Wisdom Villa (縱香漫)	95%	Nanjing	Jiangning District	2.49	6.47	-	-	6.47	-	-
29	Leisurely Courtyard (上悅城)	100%	Nanjing	Jiangning District	6.90	18.64	-	-	-	18.64	-
30	Cotton Pond (棉花塘)	100%	Nanjing	Jiangning District	1.43	2.85	-	-	2.85	-	-
31	Plot 2020G83 (2020G83地塊)	57%	Nanjing	Jiangning District	3.36	6.73	-	-	-	-	6.73
32	Belief Regression (熙悅)	32%	Nanjing	Jiangning District	9.09	25.01	1.02	4.42	13.39	11.62	-

Notes:

(1) Our property development projects which had been fully completed, settled and delivered to the purchasers as of December 31, 2021 were not included in the table as the ownership of such properties had been transferred to relevant purchasers.

(2) The total saleable area, total GFA commenced, total GFA completed, total GFA under development, total planned GFA held for future development refer to the planned floor area for the calculation of the floor area ratio.

No.	Project Name	Interest Attributable to the Group	City	Location	Aggregate Site Area (10,000 sq. m.)	Total Saleable Area (10,000 sq. m.)	Total GFA Commenced in 2021 (10,000 sq. m.)	Total GFA Completed in 2021 (10,000 sq. m.)	Total GFA Completed (10,000 sq. m.)	Total GFA Under Development as of December 31, 2021 (10,000 sq. m.)	Total Planned GFA Held for Future Development as of December 31, 2021 (10,000 sq. m.)
33	Central Living District (錦城)	100%	Nanjing	Lishui County	7.91	15.82	-	-	15.82	-	-
34	Central Living District (世紀雅苑)	60%	Nanjing	Qixia District	12.93	38.78	-	-	38.78	-	-
35	Magic Mall (魔力月光)	100%	Nanjing	Xuanwu District	1.06	3.18	-	-	3.18	-	-
36	Central Living District (錦苑)	97%	Nanjing	Yuhuatai District	3.54	10.61	-	-	10.61	-	-
37	Central Business District (中央商務區)	100%	Nantong	Chongchuan District	99.69	267.09	12.87	4.17	236.50	18.12	12.47
38	Central Living District (花城)	100%	Nantong	Chongchuan District	44.88	112.21	-	-	112.21	-	-
39	Delight River (漫悅灣)	100%	Nantong	Chongchuan District	4.20	9.23	-	-	9.23	-	-
40	Belief Regression (熙悅)	100%	Nantong	Chongchuan District	14.56	25.33	-	-	25.33	-	-
41	Sea Legend (海上傳奇)	20%	Nantong	Chongchuan District	18.07	32.17	-	15.97	32.17	-	-
42	Lakeside Mansion (湖畔堤)	35%	Nantong	Chongchuan District	2.99	5.38	-	-	5.38	-	-
43	Fontaine & Moet (楓丹爵悅)	40%	Nantong	Chongchuan District	11.55	18.48	-	4.39	12.89	5.59	-
44	Times Metropolis (時代都會)	10%	Nantong	Chongchuan District	4.71	10.35	-	-	10.35	-	-
45	Metropolis (大都會)	20%	Nantong	Chongchuan District	4.80	8.54	-	-	8.54	-	-
46	Times Emerald (時代悅城)	50%	Nantong	Chongchuan District	10.93	28.63	-	-	28.63	-	-
47	Jade Mansion (璫府)	25%	Nantong	Chongchuan District	12.34	16.38	-	6.43	16.38	-	-
48	Lincoln Park (林肯公園)	50%	Nantong	Chongchuan District	10.16	20.33	-	8.86	20.33	-	-
49	Golden Time (佳期漫)	32%	Nantong	Chongchuan District	13.40	20.91	-	-	20.91	-	-
50	Canalside Mansion (春江閣)	40%	Nantong	Chongchuan District	4.96	6.93	-	1.69	6.93	-	-
51	Yunyue East (雲樾東方)	17%	Nantong	Chongchuan District	8.67	17.30	-	-	17.30	-	-
52	Southern Shore Mansion West (春風南岸西)	40%	Nantong	Chongchuan District	13.30	23.90	-	-	23.90	-	-
53	Southern Shore Mansion East (春風南岸東)	40%	Nantong	Chongchuan District	13.40	24.20	-	-	24.20	-	-
54	Emerald Mansion (翡翠華府)	34%	Nantong	Chongchuan District	7.13	12.12	-	-	12.12	-	-
55	Spring Breeze (春風里)	60%	Nantong	Haian District	4.12	7.41	7.41	-	-	7.41	-
56	Hanlin Capital (翰林首府)	18%	Nantong	Haian District	5.76	14.98	-	14.98	14.98	-	-
57	Taoyuanli (桃源里)	17%	Nantong	Haian District	4.93		0.24	-	-	12.36	-
58	Century City (世紀城)	100%	Nantong	Haimen District	43.95	87.90	-	-	87.90	-	-
59	Central Living District (錦城)	100%	Nantong	Haimen District	23.35	51.38	-	-	51.38	-	-
60	Central Living District (錦苑)	100%	Nantong	Haimen District	8.88	18.64	-	-	18.64	-	-
61	Flourishin Courtyard (錦尚名苑)	94%	Nantong	Haimen District	9.93	17.87	-	-	17.87	-	-
62	Belief Regression (熙悅)	100%	Nantong	Haimen District	11.68	23.77	-	-	23.77	-	-
63	Delight River (漫悅灣)	67%	Nantong	Haimen District	5.26	10.51	-	-	10.51	-	-
64	Leisurely Courtyard (上悅城)	51%	Nantong	Haimen District	7.90	17.37	-	-	13.65	3.72	-
65	Spring Breeze (春風里)	100%	Nantong	Haimen District	4.26	5.96	-	-	-	5.96	-
66	Shore Breeze (柳岸春風)	50%	Nantong	Haimen District	2.92	3.79	-	-	-	3.79	-

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67	Huguangyingyue (湖光映月)	100%	Nantong	Haimen District	10.54	22.13	-	-	-	22.13	-
68	Zhumeng Football Town Club (築夢足球俱樂部)	100%	Nantong	Haimen District	7.78	6.39	-	-	-	6.39	-
69	City Life (中南印象)	100%	Nantong	Haimen District	8.70	13.16	-	-	-	13.16	-
70	C20006 Plot (C20006地塊)	100%	Nantong	Haimen District	2.33	1.40	-	-	-	1.40	-
71	Jun Mansion (駿園)	51%	Nantong	Haimen District	6.26	13.77	3.43	-	-	13.77	-
72	Lang Mansion (朗園)	50%	Nantong	Haimen District	4.24	7.64	7.64	-	-	7.64	-
73	Lake Forest (湖光森林)	55%	Nantong	Haimen District	9.49	14.23	9.16	-	-	9.16	5.07
74	C20033 Plot (C20033地塊)	55%	Nantong	Haimen District	4.41	5.29	-	-	-	5.29	-
75	Zhongnan Country Garden (中南碧桂園)	33%	Nantong	Haimen District	6.33	13.92	-	-	13.92	-	-
76	Cullinan (熙悅天璽)	42%	Nantong	Haimen District	9.18	18.36	-	9.75	18.36	-	-
77	Metropolis (江海都會)	25%	Nantong	Haimen District	10.72	19.29	-	11.11	11.11	8.18	-
78	Spring River Moon (春江明月)	75%	Nantong	Haimen District	3.18	4.13	-	-	-	4.13	-
79	Picturesque Park (麓園)	25%	Nantong	Haimen District	2.77	7.47	-	-	-	7.47	-
80	Qin Mansion (沁園)	40%	Nantong	Haimen District	9.89	17.80	-	-	-	17.80	-
81	Dream Lake (閱湖)	45%	Nantong	Haimen District	6.02	7.23	-	-	-	7.23	-
82	Delight River (漫悅灣)	55%	Nantong	Rudong County	4.24	7.60	-	-	7.60	-	-
83	Belief Regression (熙悅花苑)	49%	Nantong	Rudong County	2.45	5.52	-	5.52	5.52	-	-
84	Dream Mansion (晨園)	49%	Nantong	Rudong County	3.82	8.60	-	8.60	8.60	-	-
85	Century City (世紀城)	100%	Nantong	Rugao City	3.59	10.41	-	-	10.41	-	-
86	Belief Regression (熙悅)	100%	Nantong	Rugao City	10.31	20.62	-	-	20.62	-	-
87	Shiguangying Garden (時光映花園)	51%	Nantong	Rugao City	6.12	13.46	7.43	-	-	7.43	6.03
88	Leisurely Courtyard (上悅城)	45%	Nantong	Rugao City	13.04	32.61	13.12	-	-	32.61	-
89	Auspicious Omen (紫雲集)	40%	Nantong	Rugao City	8.97	21.52	5.59	11.57	11.57	9.95	-
90	R2021028 Plot (R2021028地塊)	31%	Nantong	Rugao City	6.98	13.96	-	-	-	-	13.96
91	Royal Park (君悅府)	100%	Nantong	Tongzhou District	5.45	10.91	-	-	10.91	-	-
92	Blossom Palace (瓏悅)	100%	Nantong	Tongzhou District	3.33	7.33	-	-	7.33	-	-
93	Light of the Future (世紀之光)	51%	Nantong	Tongzhou District	21.92	44.43	20.82	-	-	44.43	-
94	Metro Cloud (世紀雲辰)	40%	Nantong	Tongzhou District	7.39	13.31	6.22	-	-	13.31	-
95	Terminal Casa (東時區)	40%	Nantong	Tongzhou District	17.04	30.51	15.69	-	-	30.51	-
96	Cloud Bay (江海雲辰)	55%	Nantong	Tongzhou District	2.85	4.96	4.96	-	-	4.96	-
97	Metropolis (大都會)	30%	Nantong	Tongzhou District	11.56	23.12	-	-	23.12	-	-
98	Splendid Villa (玖熙墅)	33%	Nantong	Tongzhou District	3.73	3.85	-	-	3.85	-	-
99	Leisurely Courtyard (上悅城)	25%	Nantong	Tongzhou District	8.27	19.86	-	-	19.86	-	-
100	Splendid Villa (玖熙墅)	33%	Nantong	Tongzhou District	3.13	3.29	-	-	3.29	-	-

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101	Platinum Era Mansion (鉅金時代)	21%	Nantong	Tongzhou District	5.00	9.99	-	-	9.99	-	-
102	Garden Mansion (紫宸府)	23%	Nantong	Tongzhou District	6.08	12.16	-	-	12.16	-	-
103	Zoia Spring (春溪集)	40%	Nantong	Tongzhou District	15.74	26.76	-	-	-	26.76	-
104	Century City (世紀城)	100%	Suzhou	Changshu City	34.20	66.57	-	-	66.57	-	-
105	Century City (世紀錦城)	100%	Suzhou	Changshu City	11.90	23.81	-	-	23.81	-	-
106	Central Living District (禦錦城)	100%	Suzhou	Changshu City	12.89	29.65	-	-	29.65	-	-
107	Central Living District (錦苑)	60%	Suzhou	Changshu City	14.09	33.82	-	-	33.82	-	-
108	Central Living District (雅苑)	97%	Suzhou	Changshu City	5.47	8.21	-	-	8.21	-	-
109	Zoia Mansion (林樾香庭)	100%	Suzhou	Changshu City	9.89	21.75	-	11.14	16.69	5.06	-
110	Vanke Midtown Gongwang (公望)	40%	Suzhou	Changshu City	8.25	8.84	-	-	8.84	-	-
111	Metropolises Interact (熙悅豪庭)	30%	Suzhou	Changshu City	3.68	6.62	-	-	6.62	-	-
112	Wutong Mansion (梧桐苑)	25%	Suzhou	Changshu City	2.81	3.37	-	-	3.37	-	-
113	Lakeside Mansion (湖灣天境花園)	50%	Suzhou	Changshu City	5.97	13.14	-	-	13.14	-	-
114	Junyue Mansion (君悅閣)	25%	Suzhou	Changshu City	3.48	6.26	-	-	6.26	-	-
115	The Culture Elite (及第閣)	32%	Suzhou	Changshu City	6.67	14.67	-	-	14.67	-	-
116	Binjiang Mansion (濱江鉅郡)	49%	Suzhou	Changshu City	6.96	18.79	-	-	18.79	-	-
117	Qinchuan Country Garden (琴川碧桂園)	20%	Suzhou	Changshu City	3.83	17.45	-	-	17.45	-	-
118	Spring Mansion (春和景庭)	20%	Suzhou	Changshu City	4.08	8.16	8.16	-	-	8.16	-
119	Southern Shore Mansion (春風南岸)	100%	Suzhou	Huqiu District	5.00	11.50	-	-	-	11.50	-
120	Great Mansion (寬閱雅苑)	30%	Suzhou	Huqiu District	8.07	16.93	-	9.79	16.93	-	-
121	Century Garden (世紀花園)	100%	Suzhou	Kunshan City	15.52	38.77	-	-	38.77	-	-
122	Century Garden (Central Living District) (世紀花園 (錦城))	100%	Suzhou	Kunshan City	16.00	39.88	-	1.07	39.88	-	-
123	Century City (世紀城)	100%	Suzhou	Taicang City	8.29	24.20	-	-	24.20	-	-
124	Royal Park (君悅閣)	99%	Suzhou	Taicang City	9.03	17.61	-	-	17.61	-	-
125	2021-WG-17-2 Plot (2021-WG-17-2地塊)	40%	Suzhou	Taicang City	2.08	4.16	-	-	-	-	4.16
126	Evian Park (依雲水岸苑)	14%	Suzhou	Taicang City	3.48	6.96	-	-	6.96	-	-
127	Delight Mansion (漫悅蘭庭)	40%	Suzhou	Taicang City	4.92	7.88	-	-	7.88	-	-
128	Elegant Times (海上時光花園)	15%	Suzhou	Taicang City	6.92	13.84	-	-	13.84	-	-
129	Southern Shore Mansion (春風南岸)	33%	Suzhou	Taicang City	4.01	6.42	-	-	-	6.42	-
130	2019-WG-15-3 Plot (2019-WG-15-3地塊)	45%	Suzhou	Taicang City	3.16	7.58	-	-	-	7.58	-
131	2020-WG-37-3 Plot (2020-WG-37-3地塊)	45%	Suzhou	Taicang City	3.03	6.05	6.05	-	-	6.05	-
132	Philippe Clouds (翡麗雲邸)	24%	Suzhou	Taicang City	4.40	7.92	-	-	7.92	-	-
133	2021-WG-18-2 Plot (2021-WG-18-2地塊)	14%	Suzhou	Taicang City	6.23	12.47	2.68	-	-	2.68	9.79
134	2021-WG-18-1 Plot (2021-WG-18-1地塊)	9%	Suzhou	Taicang City	2.83	5.66	0.97	-	-	0.97	4.69

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135	Century City (世紀城)	100%	Suzhou	Wujiang District	21.97	51.62	-	-	51.62	-	-
136	Auspicious Omen (紫雲集)	100%	Suzhou	Wujiang District	6.25	11.25	-	11.25	11.25	-	-
137	Fontainebleau (楓丹壹號)	48%	Suzhou	Wujiang District	17.00	31.09	-	-	31.09	-	-
138	Central Living District (錦苑)	100%	Suzhou	Wuzhong District	10.08	16.94	-	-	16.94	-	-
139	Sudi No. 2020-WG-65 Plot (蘇地2020-WG-65號地塊)	5%	Suzhou	Xiangcheng District	13.33	27.41	-	-	-	-	27.41
140	Sudi No. 2020-WG-66 Plot (蘇地2020-WG-66號地塊)	10%	Suzhou	Xiangcheng District	11.46	35.80	-	-	-	-	35.80
141	Zaina Mansion (樾府)	97%	Suzhou	Zhangjiagang City	5.84	9.94	-	-	9.94	-	-
142	Lakeside Mansion C (湖悅天境花園C項目)	34%	Suzhou	Zhangjiagang City	4.78	7.18	-	-	7.18	-	-
143	Lakeside Mansion B (湖悅天境花園B項目)	51%	Suzhou	Zhangjiagang City	5.29	7.94	-	-	-	7.94	-
144	Tangqiao Rich Mansion (塘橋東望)	33%	Suzhou	Zhangjiagang City	2.75	4.67	-	-	4.67	-	-
145	F7/8 Plot (F7/8地塊)	30%	Suzhou	Zhangjiagang City	12.90	25.80	-	-	-	25.80	-
146	Yuehu Mansion (悅湖雅居)	29%	Suzhou	Zhangjiagang City	5.20	10.40	-	10.40	10.40	-	-
147	Zhongnan Wutongyuan (中南梧桐原)	29%	Suzhou	Zhangjiagang City	5.74	12.62	7.72	-	-	7.72	4.90
148	Auspicious Omen (紫雲集)	60%	Suqian	Sucheng New District	7.80	18.72	10.69	-	-	18.38	0.34
149	Blossom Palace (瓊悅)	50%	Suqian	Sucheng District	3.00	6.65	-	4.54	6.65	-	-
150	Biguiyuan Zhongnan Shuangxi (碧桂園中南雙璽)	49%	Suzhou	Yongqiao District	8.26	20.65	-	-	9.83	10.82	-
151	TOD Town (智在雲辰)	100%	Taizhou	Hailing District	4.57	9.14	5.10	-	-	9.14	-
152	Kings Landing (君啟)	100%	Taizhou	Hailing District	8.11	15.72	15.72	-	-	15.72	-
153	Century City (世紀城)	100%	Taizhou	Taixing City	44.87	106.34	-	7.53	106.34	-	-
154	Royal Park (君悅府)	98%	Wuxi	Xinwu District	8.08	13.81	-	-	13.81	-	-
155	Zaina Mansion (中南樾府)	33%	Wuxi	Jiangyin City	19.63	26.51	2.05	3.76	21.20	5.31	-
156	Yunshuijian (水雲間)	42%	Wuxi	Jiangyin City	6.20	13.64	2.35	-	-	13.64	-
157	Elegant Courtyard (蘭樾雅苑)	20%	Wuxi	Jiangyin City	4.71	10.36	3.79	-	-	10.36	-
158	Southern Shore Mansion (春風南岸)	50%	Xuzhou	Gulou District	3.08	4.61	0.52	-	-	4.61	-
159	Classic Mansion (中山府)	60%	Xuzhou	Gulou District	8.03	18.86	-	-	-	18.86	-
160	Fenghuangshan No. 8 Plot (鳳凰山8號地塊)	70%	Xuzhou	Economic and Technological Development Zone	3.67	8.43	4.17	-	-	8.43	-
161	Fenghuangshan No. 7 Plot (鳳凰山7號地塊)	70%	Xuzhou	Economic and Technological Development Zone	3.86	8.89	0.95	-	-	5.17	3.72
162	Belief Regression Mansion (No. 75 Plot) (熙悅府75#)	25%	Xuzhou	Pizhou City	6.59	16.34	-	-	13.28	3.06	-
163	Belief Regression Mansion (No. 74 Plot) (熙悅府74#)	25%	Xuzhou	Pizhou City	6.51	16.17	-	7.88	7.88	8.29	-
164	Langyue Jingyuan (琅悅錦園)	35%	Xuzhou	Quanshan District	5.74	16.08	-	6.74	16.08	-	-
165	Zaina Mansion (中南樾府)	60%	Xuzhou	Suining County	10.37	15.93	7.74	-	-	15.93	-
166	Yinshanguanhu B (隱山觀湖B)	48%	Xuzhou	Tongshan District	10.34	17.58	-	1.68	17.58	-	-
167	Yinshanguanhu A (隱山觀湖A)	50%	Xuzhou	Tongshan District	16.53	28.09	-	3.73	11.12	16.97	-
168	Shanhelongyin (山河瑞胤)	26%	Xuzhou	Tongshan District	14.27	31.40	8.83	-	-	8.83	22.57

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169	Peace Mansion (和平府)	70%	Xuzhou	Yunlong District	8.53	18.76	0.46	-	-	18.76	-
170	Cloudview Pavilion (環悅小區)	21%	Xuzhou	Yunlong District	1.96	4.92	-	-	4.92	-	-
171	Lake Lakeview Courtyard (湖畔觀瀾別院)	33%	Xuzhou	Yunlong District	11.86	15.41	-	0.23	15.41	-	-
172	Kings Landing (君啟)	49%	Yancheng	Chengnan New District	4.39	11.84	11.81	-	-	11.81	0.03
173	Belief Regression (熙悅)	100%	Yancheng	Dongtai City	12.30	31.61	-	-	22.68	8.93	-
174	Auspicious Omen (紫雲集)	100%	Yancheng	Dongtai City	7.14	12.85	3.93	3.70	3.70	9.15	-
175	Zoira Spring (春溪集)	49%	Yancheng	Dongtai City	4.45	11.12	2.83	-	-	8.54	2.58
176	Chunlan Yunyuan (春瀾雲苑)	60%	Yancheng	Funing County	12.27	33.13	4.48	-	-	4.48	28.65
177	Belief Regression (熙悅府)	100%	Yancheng	Tinghu District	3.67	6.61	-	-	6.61	-	-
178	Emerald Light Phila Mansion (翡翠佳苑)	33%	Yancheng	Tinghu District	2.94	6.47	-	-	6.47	-	-
179	Bufeng 20210301 Plot (步鳳20210301地塊)	25%	Yancheng	Tinghu District	6.83	17.76	5.48	-	-	5.48	12.28
180	Century City (世紀城)	100%	Yancheng	Yandu District	103.71	208.24	1.33	12.46	196.16	12.08	-
181	Auspicious Omen (紫雲集)	70%	Yangzhou	Guangling District	5.40	8.10	6.77	-	-	6.78	1.32
182	The Yihe Mansions (頤和公館)	30%	Yangzhou	Hanjiang District	13.43	21.48	-	-	6.58	14.90	-
183	Living Wisdom Villa (縱香漫)	100%	Zhenjiang	Dantu District	4.57	6.40	-	-	5.83	0.57	-
184	Royal Park (君悅府)	96%	Zhenjiang	Danyang City	8.21	20.53	-	-	20.18	0.35	-
185	Royal Park Belief Regression (君悅府熙悅)	100%	Zhenjiang	Danyang City	15.39	38.49	11.08	2.59	7.27	25.59	5.63
186	Jin Mansion (錦園)	100%	Zhenjiang	Jingkou District	4.16	4.28	-	-	4.28	-	-
187	Century City (世紀城)	100%	Zhenjiang	Jingkou District	46.32	57.81	-	-	57.81	-	-
188	Central Living District (禦錦城)	100%	Zhenjiang	Jingkou District	30.22	60.74	-	-	60.74	-	-
189	The One (公園1號)	100%	Zhenjiang	Jingkou District	0.48	1.15	-	-	-	1.15	-
190	Lingjiang Pavilion (聆江閣)	100%	Zhenjiang	Jingkou District	8.69	12.17	7.05	4.44	4.44	7.73	-
191	Heshan Mansion (合山府)	50%	Zhenjiang	Jingkou District	4.17	9.59	-	0.83	9.59	-	-
192	Estuary Emerald (翡翠江灣)	50%	Zhenjiang	Jingkou District	6.12	10.21	1.05	2.27	6.52	3.69	-
193	New Asia Mansion (瑞悅府)	33%	Zhenjiang	Jingkou District	7.08	16.58	-	-	16.58	-	-
194	Zhongnan Jin Yue Mansion (中南錦悅)	60%	Zhenjiang	Jingkou District	2.93	5.75	-	4.56	4.56	1.19	-
195	Leisurely Courtyard (上悅城)	100%	Zhenjiang	Runzhou District	5.55	10.01	1.65	3.38	5.08	4.93	-
196	Leisurely Courtyard Phase II (上悅城二期)	100%	Zhenjiang	Runzhou District	6.87	12.02	5.36	-	-	7.35	4.67
197	Zoira Mansion (樾府)	13%	Zhenjiang	Runzhou District	5.58	18.00	-	4.48	6.84	11.16	-
198	Zhongnan Auspicious Omen (中南林清月)	60%	Zhenjiang	Runzhou District	7.83	8.59	4.01	-	-	8.59	-
199	Delight River (漫悅灣)	100%	Hangzhou	Jiande City	4.78	10.77	-	-	10.77	-	-
200	River Mansion (江上雲起)	100%	Hangzhou	Jiande City	3.02	5.43	1.30	-	-	5.43	-
201	Yangxi S-4-3 Plot (洋溪S-4-3地塊)	50%	Hangzhou	Jiande City	3.73	6.72	6.33	-	-	6.33	0.39
202	Begonia Mansion (棠玥灣)	100%	Hangzhou	Jiangan District	6.58	15.14	-	-	-	15.14	-

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203	Zoina Spring (春溪集)	100%	Hangzhou	Jiangan District	6.39	14.70	1.78	-	-	14.70	-
204	One Park Era (壹號院)	40%	Hangzhou	Tonglu County	3.49	6.97	-	6.97	6.97	-	-
205	Olympic Mansion (君奧時代)	100%	Hangzhou	Xiaoshan District	4.61	11.52	-	-	11.52	-	-
206	Zoina Mansion (樾府)	95%	Hangzhou	Yuhang District	4.68	9.36	-	-	9.36	-	-
207	Zhumao City Plot (竹貿城地塊)	57%	Huzhou	Anji County	10.85	20.83	5.36	-	-	5.36	15.47
208	Central Garden (中南林樾)	42%	Huzhou	Deqing County	7.54	15.23	-	-	-	15.23	-
209	Jinghang Shangchen (京杭上宸)	29%	Huzhou	Deqing County	5.19	8.30	-	8.30	8.30	-	-
210	Leidian Town 2020-038 Plot (雷甸鎮2020-038號地塊)	20%	Huzhou	Deqing County	4.97	8.56	8.56	-	-	8.56	-
211	Kings Landing (君啟)	100%	Huzhou	Nanxun District	5.86	11.72	8.37	-	-	8.37	3.35
212	Hongyue Mansion (鴻樾府)	50%	Jiaxing	Haining City	5.26	10.50	-	10.50	10.50	-	-
213	Huayu Qiantang Mansion (花語錢塘府)	51%	Jiaxing	Haining City	1.37	2.75	-	-	-	2.75	-
214	Lin Yue (林樾)	33%	Jiaxing	Jiaxing Port District	2.62	6.84	-	-	-	6.84	-
215	The Spring Blossom (春風十里)	35%	Jiaxing	Nanhu District	10.01	17.87	-	-	17.87	-	-
216	Royal Park (君悅府)	100%	Jiaxing	Pinghu City	8.41	16.83	-	-	16.83	-	-
217	Legend Mansion (新悅府)	100%	Jiaxing	Pinghu City	1.10	2.19	-	2.19	2.19	-	-
218	Enjoy Shanghai (海上明悅)	50%	Jiaxing	Pinghu City	3.34	6.02	-	-	6.02	-	-
219	Delight River (漫悅灣)	33%	Jiaxing	Pinghu City	4.00	5.60	-	-	5.60	-	-
220	Zhongnan Hongyue Mansion (中南泓悅府)	100%	Jiaxing	Pinghu City	8.25	16.49	-	-	16.49	-	-
221	Zhongnan Jinyue Mansion (中南錦悅府)	60%	Jiaxing	Pinghu City	2.67	6.27	-	-	6.27	-	-
222	Zhongnan Longyue Mansion (中南龍悅府)	100%	Jiaxing	Pinghu City	14.38	31.63	-	-	31.63	-	-
223	2021 Ping-32 Plot (2021平-32號地塊)	20%	Jiaxing	Pinghu City	4.90	9.79	0.75	-	-	0.75	9.04
224	Zoina Lotus Mansion (聞荷府)	100%	Jiaxing	Xiuzhou District	5.82	8.73	-	-	8.73	-	-
225	Wisdom Mansion (悅琅園)	40%	Jiaxing	Xiuzhou District	6.33	11.40	1.26	-	-	11.40	-
226	Kings Landing (君啟)	51%	Jinhua	Wucheng District	7.28	13.10	13.10	-	-	13.10	-
227	The One Haitang (海塘壹品)	34%	Jinhua	Wucheng District	4.29	8.58	-	-	8.58	-	-
228	Zoinga Mansion (樾府)	50%	Jinhua	Dongyang City	6.84	17.78	-	-	17.78	-	-
229	Hengdian Tangxi Plot (橫店塘溪地塊)	60%	Jinhua	Dongyang City	4.14	10.13	-	10.13	10.13	-	-
230	Hu Town Shilong No. 1 Plot (壺鎮石龍1號地塊)	60%	Lishui	Jinyun County	3.24	3.40	-	3.40	3.40	-	-
231	Zhongnan Delight River (中南漫悅灣)	54%	Ningbo	Beilun District	4.14	6.78	-	6.78	6.78	-	-
232	Blossom Palace (瓏悅)	90%	Ningbo	Cixi City	3.66	6.60	-	-	6.60	-	-
233	Binhai No. 1 (濱海壹號)	100%	Ningbo	Cixi City	6.80	10.20	-	-	-	10.20	-
234	Sea Legend (海上傳奇)	33%	Ningbo	Cixi City	33.87	65.15	-	18.52	18.52	46.63	-
235	Yundi (雲堤)	50%	Ningbo	Cixi City	10.23	13.20	-	-	-	13.20	-
236	Zoina Gardens (Small) (青樾府(小))	38%	Ningbo	Cixi City	1.12	1.68	-	-	1.68	-	-

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237	Zoia Gardens (Large) (青樾府(大))	23%	Ningbo	Cixi City	4.96	12.39	-	12.39	12.39	-	-
238	Tanyue Mansion (檀悅府)	20%	Ningbo	Cixi City	3.67	5.87	-	-	5.87	-	-
239	Yuejiang Mansion (閱江府)	33%	Ningbo	Cixi City	4.43	9.74	-	-	9.74	-	-
240	Courtyard in Jiangnan (江南大院)	33%	Ningbo	Cixi City	5.39	9.70	-	-	9.70	-	-
241	Four Seasons Longyue Mansion (四季瓏玥華府)	16%	Ningbo	Cixi City	11.39	18.22	-	-	18.22	-	-
242	Fengming Park Mansion (鳳鳴梧桐府)	30%	Ningbo	Cixi City	3.77	9.43	-	-	9.43	-	-
243	Cloud Mansion (雲邸華府)	23%	Ningbo	Cixi City	3.63	7.27	-	-	7.27	-	-
244	Hyatt Bay Mansion (海悅灣花苑)	50%	Ningbo	Cixi City	7.63	9.91	-	-	9.91	-	-
245	Zoia Mansion (樾府)	100%	Ningbo	Fenghua District	6.66	15.99	-	-	-	15.99	-
246	Phoenix Mansion (鳳璫府)	33%	Ningbo	Fenghua District	4.33	10.82	-	-	-	10.82	-
247	The Pureland (普悅花苑)	50%	Ningbo	Yinzhou District	4.25	7.43	-	-	7.43	-	-
248	Delight River B1B2A3 (漫悅灣B1B2A3)	50%	Ningbo	Yuyao City	11.07	19.53	1.03	11.78	14.26	5.27	-
249	Delight River A4 (漫悅灣A4)	50%	Ningbo	Yuyao City	5.38	10.81	-	-	10.81	-	-
250	Legend Mansion East (新悅府東)	49%	Ningbo	Yuyao City	5.77	5.73	-	-	5.73	-	-
251	Legend Mansion West (新悅府西)	49%	Ningbo	Yuyao City	3.82	5.73	-	-	5.73	-	-
252	Future Light (耀悅雲庭)	23%	Ningbo	Yuyao City	7.85	17.27	11.50	-	-	16.87	0.40
253	Nanlei South Road East, Huangshan East Road North Plot (南雷南路東側、黃山東路北側地塊)	27%	Ningbo	Yuyao City	12.90	24.40	16.63	-	-	16.63	7.77
254	Yu Oriental Villas (余春風江南院)	60%	Ningbo	Yuyao City	4.76	5.00	-	-	-	5.00	-
255	Chunshantinghu (春山聽湖)	50%	Ningbo	Yuyao City	6.29	6.29	-	-	-	6.29	-
256	Shine Mansion (璀璨雲堤)	50%	Ningbo	Zhenhai District	4.51	8.12	-	8.12	8.12	-	-
257	Delight River (漫悅灣)	98%	Quzhou	Changshan County	5.57	11.69	-	-	11.69	-	-
258	Delight River (漫悅灣)	100%	Shaoxing	Keqiao District	4.89	9.77	0.15	-	-	9.77	-
259	Real Estate (華著)	30%	Shaoxing	Keqiao District	9.76	24.39	-	12.45	12.45	11.94	-
260	Core City (星瀾城)	23%	Shaoxing	Keqiao District	13.11	24.60	5.61	-	-	15.15	9.45
261	Kings Landing (君啟)	100%	Shaoxing	Shangyu District	5.01	8.52	1.89	-	-	8.52	-
262	Camphor Mansion (玖樟台)	34%	Shaoxing	Shangyu District	3.92	9.80	9.80	-	-	9.80	-
263	Leisurely Courtyard (上悅城)	49%	Shaoxing	Shengzhou City	10.74	27.93	-	-	-	27.93	-
264	City Light (Large) (宸光集(大))	100%	Shaoxing	Zhuji City	5.17	9.31	9.22	-	-	9.23	0.08
265	Sky Mansion (天樾)	85%	Shaoxing	Zhuji City	5.78	11.55	-	-	-	11.55	-
266	The Honor of Zhuji (江山里)	30%	Shaoxing	Zhuji City	3.46	4.15	-	4.15	4.15	-	-
267	Zoia Mansion (樾府)	78%	Shaoxing	Zhuji City	3.38	5.91	-	-	5.91	-	-
268	Legend Mansion (新悅府)	65%	Shaoxing	Zhuji City	1.79	4.47	-	-	4.47	-	-
269	Auspicious Omen (紫雲集)	100%	Shaoxing	Zhuji City	3.69	7.39	1.98	-	-	7.39	-
270	City Light (Small) (宸光集(小))	49%	Shaoxing	Zhuji City	3.65	6.57	6.23	-	-	6.23	0.34
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271	River Villa (南宮印象)	34%	Taizhou	Huangyan District	1.60	2.97	-	-	-	2.97	-
272	Zoia Mansion (樾府)	50%	Taizhou	Jiaojiang District	3.01	6.61	-	-	6.61	-	-
273	Delight River (漫悅灣)	33%	Taizhou	Jiaojiang District	10.29	22.23	1.09	-	-	22.23	-
274	Belief Regression (熙悅)	45%	Taizhou	Jiaojiang District	2.54	5.34	-	5.34	5.34	-	-
275	Jin Yue Mansion (錦悅府)	60%	Taizhou	Jiaojiang District	6.39	13.48	-	-	-	13.48	-
276	New Asia Mansion (瓏悅府)	100%	Taizhou	Linhai City	7.02	15.45	13.97	-	-	15.45	-
277	Haizhou Mansion (海州上城)	12%	Taizhou	Luqiao District	7.38	17.08	-	-	-	17.08	-
278	Heyue Mansion (和悅府)	35%	Taizhou	Luqiao District	3.65	6.20	-	6.20	6.20	-	-
279	Demolished Central Area ZX-18d-2 Plot (中心區拆後空間ZX-18d-2地塊)	34%	Wenzhou	Yueqing City	3.05	6.71	6.71	-	-	6.71	-
280	Metropolis (都會玖著)	11%	Wenzhou	Yueqing City	6.51	13.02	-	-	13.02	-	-
281	Spring Breeze (春風里)	100%	Wenzhou	Longgang City	5.98	11.97	4.44	-	-	11.97	-
282	Metropolis (未來都會)	51%	Wenzhou	Longwan District	2.97	8.90	2.17	-	-	8.90	-
283	Ouhai Imprint South Mansion (甌海印象-南府)	90%	Wenzhou	Ouhai District	2.22	6.00	-	6.00	6.00	-	-
284	Ouhai Imprint North Mansion (甌海印象-北府)	96%	Wenzhou	Ouhai District	3.68	9.93	-	-	-	9.93	-
285	Sanxi District Ouhai Centre South Unit F-01 Plot (三溪片區甌海中心南單元F-01地塊)	11%	Wenzhou	Ouhai District	10.42	29.39	5.22	-	-	5.22	24.17
286	Dajingtangyue (大境堂悅)	50%	Wenzhou	Ouhai District	1.36	3.00	-	-	-	-	3.00
287	Delight River (漫悅灣)	60%	Wenzhou	Pingyang County	5.92	14.80	-	-	-	14.80	-
288	The One On Top (上東玥)	46%	Wenzhou	Pingyang County	19.27	19.27	2.82	-	-	2.82	16.45
289	Luxury Mansion (玖峯花苑)	50%	Wenzhou	Pingyang County	3.35	7.54	-	-	-	7.54	-
290	Auspicious Omen (紫雲集)	100%	Wenzhou	Ruian City	4.15	10.38	-	-	-	10.38	-
291	Guorui Mansion (國瑞府)	15%	Wenzhou	Ruian City	4.34	12.64	-	12.64	12.64	-	-
292	Nobility Mansion (江山府)	100%	Bengbu	Longzihu District	4.96	9.93	-	9.93	9.93	-	-
293	Majestic Mansion (觀淮府)	100%	Bengbu	Huaiyuan County	6.42	14.12	0.96	-	-	14.12	-
294	Legend Mansion (新悅府)	100%	Bozhou	Lixin County	11.27	22.54	-	13.34	21.87	0.67	-
295	Zoia City of Stars (中南宸悅)	100%	Chuzhou	Laian County	5.59	11.19	2.91	-	-	2.91	8.28
296	Zoia Mansion (樾府)	100%	Hefei	Shushan District	7.82	15.64	-	15.64	15.64	-	-
297	City of Stars (宸悅)	100%	Hefei	Changfeng County	6.86	12.51	7.83	-	-	10.67	1.84
298	Southern Shore Mansion (春風南岸)	70%	Huainan	Shannan New Area	8.90	17.80	6.85	-	-	12.73	5.07
299	Belief Regression (熙悅)	95%	Maanshan	Yushan District	12.76	20.42	-	1.39	20.42	-	-
300	Guotu 2108 Plot (國土2108地塊)	24%	Wuhu	Jiujiang District	10.53	23.86	20.74	-	-	20.74	3.12
301	Zhongnan Cloud Mountain Villa (中南鳳樓雲山)	28%	Xuancheng	Ningguo City	9.28	12.91	4.41	-	-	4.73	8.18
302	The Phila (翡翠之光)	35%	Binzhou	Bincheng District	9.84	29.52	-	10.12	16.87	12.65	-
303	Central Living District (世紀錦城)	100%	Dongying	Dongying District	20.02	46.96	-	-	46.96	-	-
304	Century City (世紀城)	100%	Dongying	Guangrao County	48.09	83.20	-	1.59	69.23	13.97	-

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305	Belief Regression (熙悅)	100%	Dongying	Guangrao County	6.94	9.58	-	-	9.58	-	-
306	Central Living District (世紀錦城)	100%	Heze	Mudan District	10.83	26.00	-	-	24.78	-	1.22
307	Central Living District (花城)	100%	Heze	Mudan District	29.51	79.51	14.39	10.03	33.23	26.10	20.18
308	Zoia Mansion (樾府)	100%	Jinan	Shizhong District	2.88	5.33	-	2.87	2.87	2.46	-
309	Sky Mansion (天樾)	51%	Jinan	Lixia District	4.46	12.23	-	-	-	-	12.23
310	Blossom Palace (瓏悅)	100%	Jining	Rencheng District	12.65	21.04	-	4.14	13.96	7.08	-
311	Zoia Mansion (樾府)	40%	Jining	Rencheng District	6.32	7.58	-	2.94	7.58	-	-
312	Grand Villa (檀月墅)	51%	Jining	Zoucheng City	6.67	12.00	-	10.45	12.00	-	-
313	Zoia Mansion (樾府)	51%	Jining	Zoucheng City	7.17	14.33	-	14.33	14.33	-	-
314	Delight River (漫悅灣)	65%	Jining	Yanzhou District	4.60	6.90	-	-	6.90	-	-
315	Zoia Mansion (樾府)	53%	Linyi	Lanshan District	11.34	28.34	-	11.53	28.34	-	-
316	Zoia Mansion Phase II (樾府二期)	53%	Linyi	Lanshan District	3.53	8.83	-	0.43	4.31	4.52	-
317	Central Garden (林樾)	100%	Linyi	Lanshan District	7.99	19.97	-	4.44	4.44	15.53	-
318	Auspicious Omen (紫雲集)	70%	Linyi	Lanshan District	4.91	11.29	0.85	-	-	11.29	-
319	Southern Shore Mansion (春風南岸)	100%	Linyi	Lanshan District	19.21	48.03	38.34	-	-	38.34	9.69
320	Kings Landing (君啟)	100%	Linyi	Lanshan District	5.61	14.02	10.22	-	-	10.22	3.80
321	Auspicious Omen (紫雲集)	100%	Qingdao	Jimo District	7.12	12.36	3.11	-	-	9.48	2.88
322	Zoia Mansion (樾府)	100%	Qingdao	Jimo District	11.59	19.77	4.08	-	-	10.66	9.11
323	Jinshi Plaza (金石廣場)	100%	Qingdao	Huangdao City	9.82	32.00	-	-	32.00	-	-
324	Southern Shore Mansion (春風南岸)	80%	Qingdao	Huangdao District	7.66	18.67	6.13	2.42	2.42	14.97	1.28
325	Delight River (漫悅灣)	99%	Qingdao	Huangdao District	7.48	20.87	-	10.02	20.87	-	-
326	HD2021-3042 Plot (HD2021-3042地塊)	51%	Qingdao	Huangdao District	5.83	10.49	5.36	-	-	5.36	5.13
327	HD2021-3043 Plot (HD2021-3043地塊)	51%	Qingdao	Huangdao District	3.84	13.44	9.36	-	-	9.36	4.08
328	Century City (世紀城)	100%	Qingdao	Licang District	42.38	111.42	-	6.41	99.48	11.94	-
329	Delight River (漫悅灣)	29%	Qingdao	Pingdu City	6.49	12.99	-	-	12.99	-	-
330	Presidential Palace (國賓府)	30%	Qingdao	Pingdu City	5.46	10.91	-	7.90	10.91	-	-
331	Golden Time (佳期漫)	100%	Taian	Daiyue District	5.18	13.48	-	11.73	13.48	-	-
332	Auspicious Omen (紫雲集)	90%	Taian	Daiyue District	12.98	32.46	4.34	-	-	27.45	5.01
333	Central Living District (世紀錦城)	100%	Taian	Taishan District	6.71	16.11	-	-	16.11	-	-
334	Fortune Gate (財源門)	100%	Taian	Taishan District	7.38	37.70	7.47	-	11.61	26.09	-
335	Zoia Mansion (樾府)	100%	Taian	Taishan District	1.83	7.35	-	4.92	6.23	1.12	-
336	Belief Regression (熙悅)	75%	Weihai	Huancui District	7.49	11.01	-	6.85	6.85	4.16	-
337	Auspicious Omen (林清月)	60%	Weihai	Huancui District	7.27	10.91	4.71	-	-	10.22	0.69
338	Zhongnan Delight River (中南漫悅灣)	60%	Weihai	Lingang District	3.76	7.52	-	-	-	7.52	-

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339	Zhongnan Delight River (中南頤悅灣)	60%	Weihai	Lingang District	6.47	14.25	5.55	-	-	7.23	7.02
340	Zhongnan Delight River Phase II (中南漫悅灣二期)	60%	Weihai	Lingang District	7.27	14.53	1.56	-	-	1.68	12.85
341	Zoina Mansion (樾府)	70%	Weifang	Kuiwen District	12.09	31.68	2.02	2.14	17.81	8.50	5.37
342	Belief Regression (熙悅)	70%	Weifang	Kuiwen District	12.75	31.88	1.51	4.83	26.51	5.37	-
343	Century City (世紀城)	100%	Weifang	Shouguang City	10.80	25.92	-	-	25.92	-	-
344	Xiangdi Yayuan (香緹雅苑)	100%	Weifang	Shouguang City	5.81	12.02	-	-	12.02	-	-
345	Entire City Classic (城市金典)	100%	Weifang	Shouguang City	6.47	7.80	-	-	7.80	-	-
346	Century Star City (世紀星城)	100%	Weifang	Shouguang City	43.08	65.05	-	-	65.05	-	-
347	Blossom Palace (瓏悅)	100%	Weifang	Weicheng District	5.55	13.31	-	-	-	13.31	-
348	Auspicious Omen (林清月)	100%	Weifang	Weicheng District	3.87	11.23	4.61	-	-	4.61	6.62
349	Shanhaiwan (山海灣)	100%	Yantai	Fushan District	18.84	12.19	-	-	12.19	-	-
350	Belief Regression (熙悅)	96%	Yantai	Fushan District	6.68	13.35	-	-	13.35	-	-
351	Splendid Villa (玖熙墅)	100%	Yantai	Fushan District	6.08	3.65	-	-	3.65	-	-
352	Youmanli (中南悠漫里)	100%	Yantai	Fushan District	6.50	3.65	-	-	-	3.65	-
353	Belief Regression (熙悅)	51%	Yantai	Longkou City	7.75	14.85	-	3.97	9.58	5.27	-
354	Central Garden (林樾)	100%	Yantai	Laishan District	7.54	14.40	0.11	-	-	6.68	7.72
355	Zoina Mansion (樾府)	91%	Zibo	Huantai County	6.93	14.20	-	4.72	14.20	-	-
356	Chuangzhi Garden (創智花園)	31%	Zibo	Huantai County	5.33	10.67	10.67	-	-	10.67	-
357	Auspicious Omen (紫雲集)	55%	Zibo	Zhangdian District	11.92	19.67	0.15	19.67	19.67	-	-
358	Zoina Spring (春溪集)	60%	Zibo	Zhangdian District	4.18	7.34	-	-	-	7.34	-
359	Zi Jiang Mansion (淄江府)	40%	Zibo	Linzi District	8.57	12.86	-	6.94	6.94	5.92	-
360	Yishui Mansion (怡水園)	100%	Beijing	Miyun District	8.90	12.87	-	-	-	-	12.87
361	Royal Park (君悅府)	75%	Tianjin	Jinghai District	9.06	20.38	-	-	20.08	0.30	-
362	Peaceful Residence (六和茗著)	17%	Tianjin	Jinghai District	3.63	4.35	-	-	4.35	-	-
363	Imperial Court of Riverside (禦河尚苑)	50%	Handan	Hanshan District	6.10	12.21	-	-	-	12.21	-
364	Belief Regression (熙悅)	75%	Langfang	Gu'an County	7.10	22.02	-	9.50	9.50	11.93	0.59
365	Laweina (拉唯那)	100%	Tangshan	Laoting County	54.73	90.79	-	3.22	20.76	48.19	21.85
366	Future Coast (未來海岸)	100%	Tangshan	Laoting County	14.89	21.15	-	-	21.15	-	-
367	Belief Regression (熙悅)	20%	Fushun	Wanghua District	9.21	29.76	1.36	15.29	15.29	14.47	-
368	Leisurely Courtyard (上悅城)	80%	Shenyang	Dadong District	0.69	4.60	-	-	-	4.60	-
369	Century City (世紀城)	100%	Shenyang	Tiexi District	15.20	26.60	-	-	26.60	-	-
370	Belief Regression (熙悅)	100%	Shenyang	Tiexi District	2.97	5.34	-	-	5.34	-	-
371	Splendid Villa (玖熙墅)	100%	Shenyang	Tiexi District	5.01	8.51	-	0.21	8.51	-	-
372	Auspicious Omen (紫雲集)	100%	Shenyang	Tiexi District	1.54	3.39	-	-	3.39	-	-

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373	Jimei Shangjing (集美尚景)	49%	Shenyang	Tiexi District	2.97	4.75	-	1.96	4.75	-	-
374	Harmonious Mansion (和樾)	60%	Shenyang	Tiexi District	9.95	19.91	0.02	7.54	19.89	0.02	-
375	Century City (世紀城)	100%	Yingkou	Bayuquan District	17.70	37.40	-	-	23.36	5.59	8.45
376	Zoia Mansion (樾府)	100%	Kaifeng	Longting District	4.41	11.47	-	3.42	3.42	8.05	-
377	Central Garden (林樾)	50%	Kaifeng	Longting District	6.83	19.82	-	-	-	19.82	-
378	Greenland City District Five (綠地城五區)	49%	Shangqiu	Liangyuan District	7.77	22.50	-	-	-	22.50	-
379	2020-27 Plot (2020-27地塊)	60%	Shangqiu	Suiyang District	2.22	5.36	-	-	-	-	5.36
380	Greenland City District One (綠地城一區)	49%	Shangqiu	Suiyang District	10.48	13.63	-	13.63	13.63	-	-
381	Greenland City District Six (綠地城六區)	49%	Shangqiu	Suiyang District	5.55	13.44	-	13.44	13.44	-	-
382	Greenland City Central Square (綠地中央廣場)	49%	Shangqiu	Suiyang District	5.53	9.73	-	-	-	9.73	-
383	Delight River (漫悅灣)	49%	Shangqiu	Suiyang District	8.80	21.99	-	5.11	5.11	16.88	-
384	2021-22 Plot (2021-22地塊)	49%	Shangqiu	Suiyang District	7.27	19.64	-	-	-	-	19.64
385	Delight River Phase II (漫悅灣二期)	49%	Shangqiu	Suiyang District	9.20	24.83	12.98	-	-	24.83	-
386	Gold Jade (金玉堂)	34%	Xuchang	Jian'an District	13.95	38.36	7.07	17.70	17.70	10.91	9.75
387	Century City (世紀城)	100%	Qianjiang	New City	11.75	25.85	-	-	25.85	-	-
388	Central Living District (錦城)	100%	Qianjiang	Yuanlin	6.15	14.15	-	-	14.15	-	-
389	Central Living District (雅苑)	100%	Qianjiang	Yuanlin	14.70	33.80	-	-	33.80	-	-
390	Zoia Spring (春溪集)	100%	Qianjiang	Yuanlin	5.19	15.56	-	7.75	7.75	7.81	-
391	Fuxiao City 108 (拂曉城108)	100%	Wuhan	Huangpi District	16.25	32.51	-	15.41	32.51	-	-
392	Fuxiao City 109 (拂曉城109)	100%	Wuhan	Huangpi District	8.17	16.32	-	-	16.32	-	-
393	Belief Regression (熙悅)	50%	Wuhan	Dongxihu District	2.67	8.58	-	2.54	8.58	-	-
394	Zhongnan Yuncheng (中南雲城)	31%	Wuhan	Dongxihu District	10.78	24.90	6.53	-	-	6.54	18.36
395	Wushanju (無山居)	55%	Baoji	Mei County	19.53	22.80	6.37	-	-	11.09	11.71
396	Zoia Mansion (樾府)	1%	Xi'an	Baqiao District	8.73	21.85	-	-	21.85	-	-
397	Southern Shore Project Plot (春風南岸項目地塊)	51%	Xi'an	Chang'an District	9.30	31.46	10.25	-	-	29.95	1.51
398	CA16-5-5 Plot (CA16-5-5地塊)	100%	Xi'an	Chang'an District	2.46	4.93	2.49	-	-	2.49	2.44
399	Zoia Gardens (青樾)	80%	Xi'an	Daxing New Area	4.38	20.51	-	8.13	8.13	12.38	-
400	Spring Breeze (春風里)	40%	Xi'an	Gaoling District	10.00	28.00	2.95	-	-	28.00	-
401	Kings Landing DK3 (君啟DK3)	100%	Xi'an	Weiyang District	2.57	10.01	0.57	-	-	10.01	-
402	Kings Landing DK2 (君啟DK2)	100%	Xi'an	Weiyang District	3.72	13.03	-	-	-	13.03	-
403	Kings Landing DK1 (君啟DK1)	100%	Xi'an	Weiyang District	9.14	30.09	15.47	-	-	29.85	0.24
404	Lakeside Mansion (湖畔堤)	51%	Xi'an	Xixian New Area	3.33	11.67	2.88	-	-	11.67	-
405	Leisurely Courtyard (上悅城)	90%	Xi'an	Xixian New Area	18.27	41.90	0.34	8.43	8.43	23.44	10.03
406	FD2-7-16 Plot (FD2-7-16地塊)	90%	Xi'an	Xixian New Area	3.91	9.78	8.26	-	-	8.26	1.52

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407	Qinhan New City XXQH-ZL05-40 Plot (秦漢新城XXQH-ZL05-40地塊)	30%	Xi'an	Xixian New Area	10.06	21.03	-	-	-	-	21.03
408	Dongwang Mansion (東望府)	50%	Xi'an	Xixian New Area	2.14	5.34	-	-	-	5.34	-
409	Dongwang Center (東望中心)	50%	Xi'an	Xixian New Area	1.67	9.19	-	-	-	9.19	-
410	Dongwang City (東望城)	35%	Xi'an	Xixian New Area	4.28	14.95	-	14.95	14.95	-	-
411	Dongwang Mansion (東望府)	26%	Yulin	Fugu County	4.22	11.82	11.82	-	-	11.82	-
412	No. 2021-20 Zongdi (2021-20號宗地)	33%	Tianshui	Qinzhou District	9.50	44.64	3.25	-	-	3.25	41.39
413	Zhongnan • Blossom Palace (中南·瓏悅)	100%	Changde	Dingcheng District	5.22	13.56	-	-	-	13.56	-
414	Zoia Spring (春溪集)	100%	Changde	Wuling District	6.14	17.19	-	9.81	9.81	7.38	-
415	Begonia Mansion (海棠集)	100%	Changde	Wuling District	2.90	7.54	3.22	-	-	6.93	0.61
416	Zoia Mansion (樾府)	50%	Xiangtan	Yuetang District	6.66	18.64	3.45	6.92	6.92	7.19	4.53
417	Central Mansion (玖華臺)	50%	Chengdu	Chenghua District	2.97	14.81	-	13.56	14.81	-	-
418	Zoia Mansion (樾府)	100%	Chengdu	Jinniu District	12.78	25.90	1.93	25.90	25.90	-	-
419	Begonia Mansion (海棠集)	100%	Chengdu	Jinniu District	4.23	12.32	-	-	12.32	-	-
420	Blossom Palace (瓏悅)	51%	Chengdu	Wenjiang District	2.53	6.31	-	-	6.31	-	-
421	Belief Regression (熙悅)	100%	Chengdu	Wenjiang District	5.41	13.53	-	-	13.53	-	-
422	Cloud Mansion (雲樾名邸)	100%	Chengdu	Wenjiang District	2.74	6.49	-	6.49	6.49	-	-
423	Cloud Mansion (駁雲上府)	30%	Chengdu	Xindu District	3.60	8.24	2.16	5.10	5.10	3.14	-
424	Sanhechang Project (三河場項目)	21%	Chengdu	Xindu District	2.98	5.96	3.68	-	-	3.68	2.28
425	TOD Town (智在雲辰)	66%	Chengdu	Xinjin County	6.94	17.80	0.80	14.91	14.91	2.89	-
426	Kings Landing (君啟)	60%	Chengdu	Wuhou District	1.29	3.24	-	-	-	3.24	-
427	QBC2021C05、QBC2021C06 Plot (QBC2021C05、QBC2021C06地塊)	31%	Dazhou	Qu County	7.80	17.16	-	-	-	-	17.16
428	Legend Mansion (新悅府)	100%	Meishan	Renshou County	5.01	11.03	-	-	11.03	-	-
429	Delight River (漫悅灣)	95%	Nanchong	Gaoping District	9.69	22.23	-	-	22.23	-	-
430	Canalside Mansion (春江閱)	100%	Nanchong	Gaoping District	7.00	17.49	-	-	17.49	-	-
431	Yuanshan (原山)	100%	Nanchong	Gaoping District	4.56	15.96	0.26	15.96	15.96	-	-
432	Yaner Wopian District Former Nanchong Shida Chemical Industry No. A-05-01/A-05-02 Plot (燕兒窩片區原南充市達化工A-05-01/A-05-02號地塊)	30%	Nanchong	Shunqing District	5.12	11.25	2.45	-	-	2.45	8.80
433	Yaner Wopian District Fire Brigade South Plot (燕兒窩片區市消防支隊南側地塊)	30%	Nanchong	Shunqing District	4.56	8.20	-	-	-	-	8.20
434	Scenic Mansion (尚景閣)	100%	Nanchong	Shunqing District	3.78	7.55	-	-	7.55	-	-
435	Century City (世紀城)	100%	Nanchong	Shunqing District	10.37	22.38	-	-	22.38	-	-
436	Gem Palace (玖宸)	100%	Chongqing	Beibei District	11.42	30.14	-	9.71	30.14	-	-
437	Healthy Natural (玖著天宸)	34%	Chongqing	Beibei District	16.82	25.22	0.25	-	-	20.39	4.83
438	Above Clouds (泊雲府)	30%	Chongqing	Banan District	6.36	10.05	0.57	7.65	7.65	2.40	-

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439	Leisurely Courtyard (上悅城)	100%	Chongqing	Dadukou District	17.22	30.39	3.60	-	-	14.68	15.71
440	Meridian Avenue (西著七里)	33%	Chongqing	Shapingba District	7.45	18.90	-	-	18.90	-	-
441	Nebula Mansion (萬雲府)	20%	Chongqing	Shapingba District	5.75	14.31	-	-	14.31	-	-
442	TNC2020-36 Plot (TNC2020-36地塊)	24%	Chongqing	Tongnan District	43.82	29.24	9.21	-	-	21.59	7.65
443	GHM Hotel Project (GHM酒店項目)	51%	Baoshan	Tengchong City	9.57	7.18	-	-	-	-	7.18
444	Rhyme Scheme (天韻)	33%	Kunming	Anning City	1.57	4.70	-	-	4.70	-	-
445	Poetry Paradise (雲境)	98%	Kunming	Guandu District	4.87	24.36	-	15.64	24.36	-	-
446	Zoina Mansion (樾府)	51%	Kunming	Guandu District	7.62	28.97	-	5.18	27.35	1.62	-
447	No. KCJ2020-21 Plot (KCJ2020-21號地塊)	36%	Kunming	Economic and Technological Development Zone	4.59	13.76	10.50	-	-	10.50	3.26
448	The Zodiac (十二集)	100%	Kunming	Panlong District	3.70	6.40	-	-	-	6.40	-
449	Sanye Tires Factory A1, A2 Plot (三葉輪胎廠A1、A2地塊)	80%	Kunming	Panlong District	2.45	4.41	2.05	-	-	2.05	2.36
450	No. KCWH2018-6/KCWH2018-14-A1 Plot (KCWH2018-6/KCWH2018-14-A1號地塊)	60%	Kunming	Wuhua District	6.49	23.10	4.11	-	-	4.11	18.99
451	Heyuemingzhe (和悅銘著)	22%	Kunming	Wuhua District	3.31	12.70	-	-	12.70	-	-
452	Urban Frontier (上悅天地)	33%	Kunming	Wuhua District	17.35	86.63	5.51	31.68	31.68	34.37	20.58
453	No. LC2019-73 Plot (LC2019-73號地塊)	70%	Puer	Lancang County	6.02	3.31	-	-	-	-	3.31
454	LC2015-32 Plot (LC2015-32地塊)	100%	Puer	Lancang County	4.60	4.60	-	-	-	-	4.60
455	Mangyun Mountain Project (芒雲山項目)	51%	Puer	Lancang County	60.60	100.12	-	-	-	-	100.12
456	Gushucha Town Phase 1 (LC2018-57號) Plot (古樹茶小鎮一期 (LC2018-57號) 地塊)	30%	Puer	Lancang County	7.35	12.43	12.43	-	-	12.43	-
457	Bannagaozhuang Project (版納告莊項目)	23%	Xishuangbanna	Jinghong City	5.07	15.21	-	-	-	-	15.21
458	Central Garden (林樾)	80%	Guiyang	Nanming District	9.68	24.14	4.31	13.69	13.69	10.45	-
459	Southern Shore Mansion (春風南岸)	80%	Guiyang	Nanming District	16.01	40.02	2.19	-	-	21.51	18.51
460	Auspicious Omen (紫雲集)	100%	Guiyang	Guanshanhu District	4.58	11.45	1.26	-	-	2.47	8.98
461	Spring Life Mountain (春山居)	22%	Qiannan Prefecture	Longli County	19.57	28.09	-	-	-	28.09	-
462	Spring Life Mountain Phase II (春山居二期)	22%	Qiannan Prefecture	Longli County	12.60	18.92	18.92	-	-	18.92	-
463	International River City (濱江國際)	49%	Foshan	Gaoming District	8.36	33.43	-	13.28	13.28	11.66	8.49
464	Emerald Park (翡翠西江)	33%	Foshan	Gaoming District	8.11	24.34	3.50	0.35	13.00	11.34	-
465	Delight River (漫悅灣)	50%	Foshan	Sanshui District	5.30	15.89	-	0.04	15.89	-	-
466	TD2020(SS)WP0002 Plot (TD2020(SS)WP0002地塊)	60%	Foshan	Sanshui District	4.91	12.27	12.27	-	-	12.27	-
467	Southern Shore Mansion (春風南岸)	70%	Foshan	Shunde District	2.27	5.69	-	-	-	5.69	-
468	TD2021 (SD) WG0018 Plot (TD2021 (SD) WG0018地塊)	32%	Foshan	Shunde District	9.52	22.33	-	-	-	-	22.33
469	Delight Forest (林間漫)	90%	Huizhou	Huiyang District	4.65	13.95	-	10.30	10.30	3.65	-
470	Spring Breeze Mansion (春風里花苑)	90%	Jiangmen	Xinhui District	3.48	8.70	3.13	-	-	7.40	1.30
471	Southern Shore Mansion (春風南岸)	100%	Jieyang	Jiedong District	9.44	18.68	1.78	-	-	14.55	4.13

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472	Fenghui (峰會)	50%	Meizhou	Meixian District	4.48	15.46	-	6.89	6.89	8.57	-
473	Xin'an Subdistrict Baocheng Area 25 and Xin'an Area 25 City Renewal Project Phase 1 C Project (新安街道寶城25區及新安25區城市更新項目一期C項目)	70%	Shenzhen	Bao'an District	1.13	10.07	-	-	-	-	10.07
474	Auspicious Omen (紫雲集)	60%	Zhanjiang	Mazhang District	3.10	10.29	-	-	-	10.29	-
475	G20-2020-0122 Plot (G20-2020-0122地塊)	33%	Zhongshan	Xiqu Subdistrict	3.31	8.27	8.27	-	-	8.27	-
476	Zaina Mansion (樾府)	100%	Fuzhou	Changle District	3.55	7.13	-	-	7.13	-	-
477	Longjiang Jiujin (龍江玖錦)	33%	Fuzhou	Fuqing District	11.31	28.26	4.61	-	-	28.26	-
478	Classic (瑞禧台)	100%	Putian	Chengxiang District	3.84	17.30	14.38	-	-	17.30	-
479	Delight River (漫悅灣)	100%	Quanzhou	Jinjiang City	5.26	17.19	-	-	17.19	-	-
480	Sky Mansion (天樾)	100%	Quanzhou	Jinjiang City	3.85	8.35	-	8.35	8.35	-	-
481	Harmonious Mansion (和樾)	60%	Quanzhou	Jinjiang City	5.70	15.95	1.31	-	-	15.95	-
482	Sky Mansion Junli (天樾君立)	70%	Quanzhou	Jinjiang City	2.16	3.64	1.99	-	-	3.64	-
483	Sky Mansion Junchen Junhe (天樾君辰君和)	70%	Quanzhou	Jinjiang City	4.38	6.83	6.83	-	-	6.83	-
484	No. 2020-6 Plot (2020-6號地塊)	100%	Quanzhou	Jinjiang City	2.08	6.87	6.87	-	-	6.87	-
485	Xiyue (璽樾)	100%	Quanzhou	Jinjiang City	4.61	12.18	7.10	-	-	7.10	5.08
486	Riverside Mansion (濱江銘悅)	100%	Quanzhou	Licheng District	3.76	8.71	-	-	8.71	-	-
487	Zaina Mansion (九錦台)	100%	Xiamen	Xiang'an District	1.75	3.51	-	3.51	3.51	-	-
488	Zaina Gardens (青樾)	100%	Xiamen	Xiang'an District	0.69	1.74	-	1.74	1.74	-	-
489	Auspicious Omen (紫雲集)	100%	Nanning	Liangqing District	7.89	29.71	-	29.71	29.71	-	-
490	GC2020-109 Plot (GC2020-109地塊)	40%	Nanning	Liangqing District	6.50	23.89	12.46	-	-	12.46	11.43
491	GC2020-110 Plot (GC2020-110地塊)	51%	Nanning	Liangqing District	5.01	20.05	9.94	-	-	9.94	10.11
492	Wuxiang Shizhou (五象十洲)	42%	Nanning	Liangqing District	27.38	73.09	1.86	-	-	42.62	30.47
493	GC2020-113 Pot (GC2020-113地塊)	49%	Nanning	Liangqing District	7.97	18.50	-	-	-	-	18.50
494	Southern Shore Mansion (春風南岸)	100%	Nanning	Jiangnan District	5.96	14.91	-	5.89	5.89	9.02	-
495	Forest and Sea (林海間)	100%	Changjiang	Changhuazhen	13.44	8.05	-	0.01	5.95	-	2.10
496	Seaside Living District (西海岸)	100%	Danzhou	Binhai New Area	60.37	60.75	-	2.47	56.80	-	3.95
497	Smart City (智慧城)	50%	Danzhou	Nada	10.08	42.35	3.68	-	-	7.50	34.85
498	Pattaya (芭提雅)	100%	Wanning	Xinglongzhen	10.56	9.08	1.52	0.16	4.56	2.03	2.49
499	Resort Bay (森海灣)	100%	Wenchang	Qinglan New Area	34.15	59.26	-	-	58.42	0.84	-
500	Zhongnan Park Mansion (中南鉅悅府)	42%	Ürümqi	Shuimogou District	9.07	30.77	13.92	-	-	16.57	14.20
501	Zhongnan Leisurely Courtyard (中南上悅城)	42%	Ürümqi	Xinshi District	15.02	50.74	16.91	-	-	34.49	16.25
502	Jin Yue Mansion (錦悅府)	30%	Ürümqi	Xinshi District	10.33	22.81	3.81	-	-	22.81	-
503	2021-47/48/49/50/51/52/53 (2021-47/48/49/50/51/52/53)	48%	Ili	Ghulja	35.04	46.45	-	-	-	-	46.45
<b>Total</b>					<b>4,364.31</b>	<b>9,176.86</b>	<b>989.26</b>	<b>1,020.38</b>	<b>5,041.98</b>	<b>2,974.39</b>	<b>1,160.5</b>

## **Project Development Process**

Our business model focuses on a standardized property development process designed for rapid asset turnover. We follow a systematic process of planning and execution while seeking to maintain a high degree of flexibility in order to accommodate new developments in the fast-evolving business and regulatory environment of China's property market. We segment the process into well-defined stages and closely monitor our costs and development schedules through each stage. These stages include (i) site selection and land acquisition, (ii) project planning, (iii) detailed project design, (iv) construction management, (v) sales and (vi) after-sale service. We commence our pre-planning and budgeting prior to land acquisition, which enables us to acquire land at costs that meet our pre-set investment target and to quickly begin the development process upon acquisition.

### ***Site Selection and Market Evaluation***

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

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

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

### ***Land Acquisition***

We have used a variety of channels to acquire land interests, which primarily include:

- participation in government-organized public tenders, auctions and listings-for-sale;
- cooperation with third-party property developers to jointly acquire and develop a project; and
- acquisition of equity interest in specific project companies from third-party property developers that have entered into land grant contracts with local governments.

Provisions on the Assignment of State-owned Construction Land Use Right through Bid Invitation, Auction and Quotation (招標拍賣掛牌出讓國有建設用地使用權規定) issued by the MLR provide that, from November 11, 2007, state-owned construction land use rights for the purposes of commercial use, industry, tourism, entertainment and commodity residential property development in the PRC may be granted by the PRC government only through public tender, auction or listing-for-sale. When land use rights are granted by way of a tender, an evaluation committee consisting of an odd number no fewer than five members (including a representative of the grantor and other experts) evaluates and selects from the tenders that have been submitted. When deciding to whom to grant land use rights, the relevant authorities consider not only the tender prices, but



also the credit history and qualifications of the tenderers and their tender proposal. Where land use rights are granted by way of an auction, a public auction is held by the relevant local land bureau and the land use rights are granted to the highest bidder. We believe that these measures would result in a more transparent land grant process, which would enable developers to compete more effectively. Under current regulations, original grantees of land use rights are typically allowed to sell, assign or transfer the land use rights granted to them in secondary markets, provided that: (i) the assignment price has been fully paid in accordance with the assignment contract and a land use rights certificate has been obtained; and (ii) development has been carried out according to the assignment contract and the related Rules. If the land use rights are obtained by way of allocation, such land should be submitted to empowered people's government for approval. Upon the approval of the respective people's government, such land is to be transferred through public tender, auction or listing-for-sale. In addition to acquiring land through government-organized tender, auction or listing-for-sale, we may also obtain land use rights through transfers from third parties or through cooperative arrangements with third parties in the secondary markets.

Under certain circumstances, our land acquisitions in the secondary market may take the form of cooperation with third parties who hold the land use rights. With respect to the cooperative arrangement, we typically enter into equity joint ventures with third parties who hold land use rights, but who may not have sufficient capital resources to develop the land. Under such joint ventures, we are usually the majority shareholder and manage the project development.

### ***Project Financing***

Our project planning and design process includes concept and architectural design, construction and engineering design, budgeting, financial analysis and projections as well as arranging for financing. We believe careful planning is essential to control costs, quality and timing of our projects.

We also begin arranging financing for a project at this stage. We typically finance our property developments through a combination of internal funds, pre-sale proceeds and bank loans. Bank financing has been one of the major sources of funding for our property development projects. According to guidelines issued by the CBRC, no construction loan may be granted to projects which have not obtained the relevant land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit. We also use proceeds from the pre-sale of our properties to fund part of the construction costs of the relevant projects and to settle the bank loans for projects sold at the pre-sale stage. Proceeds from pre-sale form the integral source of operating cash inflows during our project development. According to the laws of the PRC, we may pre-sell properties under construction after certain criteria are met and proceeds from the pre-sales must be used for the construction of such properties.

Our ability to obtain financing for our projects also depends on the various measures introduced by the PRC government. Under relevant PRC regulations, not less than 35% of the total investment in a property development project must come from a property developer's internal funds in order for banks to be able to extend loans to the property developer. The PRC government has from time to time in the past adopted certain restrictive measures to control the pace of development of the PRC property market, which may affect our ability to obtain bank financing. Among these measures were policy initiatives issued by the PRC government on May 24, 2006 to use taxation, bank credit and land policies to regulate housing demand. For example, from December 5, 2011 to March 1, 2016, the PBOC has announced several decreases in the reserve ratio of commercial banks. The reserve ratio refers to the amount that banks must set aside when they engage in lending. Any decisions to raise the reserve ratio by the PBOC will limit the amount available to commercial banks for lending and our ability to obtain financing from commercial banks may be adversely affected.

### ***Project Design***

We have a design division which works closely with our project managers as well as external designers and architects in master planning, architectural design, landscape design and interior design. Our senior management is actively involved in the entire process, especially in the master planning and architectural design of our projects. All projects are customer centered designed. Only upon the confirmation of the final design proposal, we will start the projects construction. The Planning and design of our projects typically involve the following major steps:

- concept design by evaluating the characteristics of the site and determining the theme to be applied to the project.
- product design by analyzing and determining the appropriate infrastructure required to materialize the project theme, including the type of residential property, ancillary facilities and landscaping.

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

We also work with third-party architectural and interior design institutions selected through a tendering procedure. In selecting external design firms, we consider, among other things, their reputation for reliability and quality, their track record with us, the design proposed and the price quoted. Design firms can participate in the tender process by our invitation only. Our planning and design team monitors the progress and quality of the design firms to ensure that they meet our requirements. We work closely with project managers as well as our external designers and architects to ensure that our designs comply with PRC laws and regulations, and meet our design and other project objectives. We seek to distinguish our property developments by their leading and unique design concepts and place great emphasis on offering innovative features, improving process engineering and adding additional functions to our property developments.

### ***Regulatory Approvals***

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

- land use rights certificate, which evidences the right of a party to use a parcel of land;
- construction land planning permit, which allows a developer to conduct the survey, planning and design of a parcel of land;
- construction works planning permit, which allows a developer to perform the overall planning and design of a project and to apply for a construction permit; and
- construction permit, which is required for the commencement of construction.

### ***Construction Management***

For a majority of our property development projects, we contract out the construction work to independent construction companies through a statutory tender process. For approximately 20%-25% of our property development projects, we undertake the construction work through in-house capabilities, such as by Zhongnan Construction.

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

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

We have quality control procedures in place in our various functional divisions. We have established stringent internal control guidelines which apply to the quality of materials used in our property projects. All

materials entering the construction process must comply with our specifications and requirements and go through the procedures of submission, sampling and testing before they are used in our projects. Prior to the commencement of any major individual construction work, including the construction of floors, roof, installation of doors and windows, landscaping and street work, our construction team will first build construction work models and submit them for internal inspection and approval. Full-scale construction may only begin once the submitted samples have been examined and approved.

During construction, every work phase must undergo self-inspection, inter-process inspection and professional inspection from independent third parties. We put in place stringent procedures in place to ensure that the construction work satisfies construction specifications and guidelines laid down by relevant authorities. We also engage external quality supervisory companies to conduct quality and safety control checks on construction and workmanship on our sites. We maintain strict and fully documented guidelines in respect of all procedures involved in the construction process and external contractors are required to adhere to the guidelines and report any exceptions.

### ***Pre-sale***

We typically conduct pre-sales of our properties prior to the completion of a project or a phase of the project, subject to satisfaction of certain requirements set forth in laws and regulations governing the pre-sale of properties. Under the Law of the Administration of Urban Property of the PRC (《中華人民共和國城市房地產管理法》) and the Administrative Measures Governing the Pre-sale of Urban Property (《城市商品房預售管理辦法》), as amended in 2009 and 2004, respectively, we must meet the following conditions prior to commencing any pre-sales of a given property development:

- the land grant fee has been fully paid and the relevant land use right certificates have been obtained;
- the relevant permits required for the planning and construction of the property have been obtained;
- the funds contributed to the development of the project must reach 25% or above of the total amount to be invested in the project;
- the expected completion date and delivery date of the construction work have been ascertained; and
- the pre-sale permits must have been obtained from the relevant local government authorities.

According to relevant regulations applicable in Jiangsu Province, we need to submit various documents, such as land use rights certificate, proof of funds, construction contract and pre-sale plan, to the relevant local authorities, in addition to the five conditions mentioned above, before obtaining a pre-sale permit.

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

### ***Marketing***

We determine the prices of property products and execute a range of sales and marketing activities for the relevant projects. In general, our property prices are based on the competitive landscape and other relevant market factors, with the goal of achieving our profit targets while maintaining a balanced cash flow position. We also strive to build up the presence and recognition of our project and corporate brands before the launching of pre-sales or sales. Using our understanding of our target customers, we perform a range of sales and marketing activities through various channels to maintain our relationships with existing customers and to reach potential purchasers. We advertise on various media including newspapers, magazines, the Internet, billboards and other outdoor media.

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

### ***After-sale Service***

We endeavor to deliver our products to our customers on a timely basis. We closely monitor the progress of construction of our property projects and conduct pre-delivery property inspections in an effort to ensure timely delivery. The timetable for delivery is set forth in the purchase agreements entered into with our purchasers of pre-sale properties. Once we have performed various inspections and obtained the certificate of completion, we would notify our purchasers concerning the delivery. The purchase agreements in general contain liquidated damages clauses that set forth the amount of damages payable by the relevant group company or project company typically for each day of delay.

The customer service center within our individual project company is responsible for managing our after-sales services. We offer multiple communication channels to our customers to provide their feedback and complaints about our products or services, including a telephone hotline at our head office and complaints departments at our project companies. We also cooperate with property management companies that manage our properties to handle customer complaints. Furthermore, we generally assist the purchasers of our properties in obtaining their property ownership certificates through our customer service centers.

### ***Payment Arrangements***

Purchasers of our residential properties, including those purchasing pre-sale properties, may arrange for mortgage loans with banks. We typically require purchasers of our properties to pay a deposit upon signing of a preliminary sale and purchase agreement. If the purchasers later decide not to enter into a formal sale and purchase agreement, they forfeit such deposit.

Purchasers can choose to make a lump-sum payment or fund their purchases by mortgage loans. If purchasers choose to make a lump-sum payment, purchasers are typically required to pay upon executing purchase contracts. If purchasers choose to fund their purchases by mortgage loans provided by banks, under current PRC laws and regulations, they may obtain mortgage loans of up to a maximum of 70% for first-time purchasers of units for own residential use or 50% for non-first-time purchasers of residential properties of the purchase price with a repayment period of up to 30 years. These purchasers are typically required to pay the remaining balance of that portion of the purchase price that is not covered by the mortgage loans prior to the disbursement of the mortgage loans by mortgagee banks. We typically receive the mortgage payments from mortgagee banks within approximately 30 to 90 days of the execution of the purchase contracts. The payment terms of sales and pre-sales of properties are substantially similar.

In accordance with industry practice, we provide guarantees to banks with respect to the mortgage loans offered to purchasers of our properties. These guarantees are released upon the earlier of (i) the relevant property ownership certificates being delivered to the purchasers and (ii) the settlement of mortgage loans between the mortgagee banks and purchasers of our projects. In line with industry practice, we do not conduct independent credit checks on purchasers of our properties, but rely on the credit checks conducted by the mortgagee banks.

### ***Our Signature Projects***

Set out below is a brief description of our selected signature property development projects in China as of December 31, 2021.

#### ***Completed Projects***

##### ***Shanghai Fengxian Spanish Palace (上海奉賢錦庭)***

Shanghai Fengxian Spanish Palace, one of our signature property projects, is a mixture of commercial and residential buildings which comprises villas, high-rise apartment buildings and style commercial streets. It is located in a prime location adjacent to Jinhai Lake Station, Metro Line 5, Nanqiao New City, Fengxian District, Shanghai. Surrounded by Jinhai Lake, a country park and a coast, the project has high ecological qualities. It targets property owners with a demand for home upgrades. The project occupies a total site area of approximately 20.9 thousand sq. m. and has a total GFA of approximately 48.1 thousand sq. m.

##### ***Shanghai Qingpu Royal Park (上海青浦君悅府)***

Shanghai Qingpu Royal Park is a premium residential project which comprises low density villas. It is located at Dingshan Lake Avenue Station, Metro Line 17, Qingpu District, Shanghai. This project targets high-end

customers and is situated in an area surrounded by Dahongqiao Business District, schools and Dingshan Lake. The project occupies a total site area of approximately 19.4 thousand sq. m. and has a total GFA of approximately 38.8 thousand sq. m.

#### ***Shanghai Fengxian Haojingwan (上海奉賢灝景灣)***

Shanghai Fengxian Haojingwan is a community which comprises English-style high-rise apartment buildings, outdoor communal area, recreational area for children and elderly, jogging area and commercial zone. It is located near Wangyuan Station, Metro Line 5, Nanqiao New City, Fengxian District, Shanghai. The project has a self-sufficient neighborhood and situated in an area surrounded by Vanke Golden Mile Plaza, popular schools from kindergarten to secondary school, the Sixth People's Hospital Affiliated to Shanghai Jiaotong University. It targets property owners with a demand for home upgrades. The project occupies a total site area of approximately 19.7 thousand sq. m. and a total GFA of approximately 45.2 thousand sq. m.

#### ***Nanjing Yuhuatai Central Living District (南京雨花臺錦苑)***

Nanjing Yuhuatai Central Living District is a high-end commercial and residential community which comprises office buildings, high-rise apartment buildings, an European-style commercial street, a park and a kindergarten. It is located near Xiaohang Station, Metro Line 10, Saihongqiao District, Nanjing. In proximity to Nanjing Xiaohang Primary School and Nanjing Shazhou Middle School, the project is situated in an excellent school district. It targets buyers with home upgrade needs. The project occupies a total site area of approximately 35.4 thousand sq. m. and has a total GFA of approximately 106.1 thousand sq. m., 5.5 thousand sq. m. of which is green space.

#### ***Nanjing Jiangning Living Wisdom Villa (南京江寧縹香漫)***

Nanjing Jiangning Living Wisdom Villa is a green and high-tech residential project which comprises a sponge city eco-friendly circulatory system, a city-grade metropolitan commercial zone, service apartments and renovated high-rise apartment buildings. It is located near Shangfang Station, Metro Line 12, Qinglong Mountain International Ecological New City, Nanjing. The project is also situated in a school district of a key primary school. It targets buyers with home upgrade needs. The project occupies a total site area of approximately 24.9 thousand sq. m. and has a total GFA of approximately 64.7 thousand sq. m.

#### ***Suzhou Industrial Park Central Living District (蘇州園區錦苑)***

Suzhou Industrial Park Central Living District is a boutique Spanish Style residential project which comprises villas, high-rise apartment buildings, a landscape garden and a smart community system. It is located near Dunhuang Road East Station, Light Rail Line 3, Suzhou Industrial Park, Suzhou. Surrounded by a large sports park, commercial streets and shopping malls, schools and children's hospital, the project has a self-sufficient neighborhood to satisfy residents' individual needs. It targets high-end customers and property owners who plan to acquire another property to improve their living conditions. The project occupies a total site area of approximately 100.8 thousand sq. m. and has a total GFA of approximately 169.4 thousand sq. m.

#### ***Suzhou Wuzhong Central Living District (蘇州吳中雅苑)***

Suzhou Wuzhong Central Living District is a renovated luxury low density residential project which comprises villas, renovation designed by international top interior design team and with construction materials from nationwide top suppliers and face recognition system. The project applies our latest "5U+" concept which emphasizes on technology, health, green living, high construction standard, quality life and sustainable development. It is located near Baodai East Road Station, Metro Line 3 Wuzhong District, Suzhou, and surrounded by shopping malls and schools from kindergarten to secondary school. It targets high-end customers. The project occupies a total site area of approximately 26.3 thousand sq. m. and has a total GFA of approximately 36.9 thousand sq. m. Properties developed under the project were fully settled and delivered to the purchasers in September 2020.

#### ***Qingdao Huangdao Jinshi Plaza (青島黃島金石廣場)***

Jinshi Plaza is the first seven-star landmark in China which comprises the financial headquarters of multinational corporations, a seven-star sky hotel, global chief executive officer mansions, two-story renovated small offices home offices (SOHOs), serviced apartments and a high-end clubhouse. The design is based on the world-class commercial hub in Dubai. It is located at the central business district of Qingdao Economic and

Technological Development Zone, and approximate to government institutions, large-scale shopping malls, China University of Petroleum and Tangdaowan Park. The project occupies a total site area of approximately 98.2 thousand sq. m. and has a total GFA of approximately 320.0 thousand sq. m.

#### ***Haimen Flourishin Courtyard (海門錦尚名苑)***

Haimen Flourishin Courtyard is our fourth property development project in our origin, Haimen. Haimen Flourishin Courtyard is a premium high-tech residential project which comprises low-density French style villas. It is located at the center of the new town near Zhangjian Avenue and Beijing Middle Road. Surrounded by government institutions and living facilities, the project has a self-sufficient neighborhood to satisfy residents' individual needs. It targets property owners who plan to acquire another property to improve their living conditions. The project occupies a total site area of approximately 99.3 thousand sq. m. and has a total GFA of approximately 178.7 thousand sq. m.

#### ***Hangzhou Zoina Mansion (杭州中南樾府)***

Hangzhou Zoina Mansion is a residential project with district advantage. It is located at Chuangxin Road Station, Metro Line 5, Future Tech City, Hanzhou. Surrounded by Wuchang Wetland, schools from kindergarten to secondary school and Zhejiang University Medical Center, the project has a well-equipped neighborhood. It targets high-end customers and property owners who plan to acquire another property to improve their living conditions again. The project occupies a total site area of approximately 46.8 thousand sq. m. and has a total GFA of approximately 93.6 thousand sq. m. In 2018, this project obtained the GPDP International Design Gold Award from China International Interior Design Web (中國國際室內設計網) and the Organizing Committee of Sino-France International Design Exchange Exhibition (中法國際設計交流展組委會) Institut Francais du Design (法國設計學院) and the China Real Estate Design Award (Interior DesignAward) from DJSER.com.

### **Projects under Construction**

#### ***Nanjing Jiangning Leisurely Courtyard (南京江寧上悅城)***

Nanjing Jiangning Leisurely Courtyard is a high-end boutique residential project which applies our "healthy TED" concept. It comprises facilities such as a large grassland, children's play area, elderly's exercise area and a rain garden to enhance the wellness of the residents. It is located near Longmiandadao Station, Metro Line 1, Qinglong Mountain International Ecological New City, Nanjing and surrounded by a district-grade commercial center. It targets first-time buyers and property owners who plan to acquire another property to improve their living conditions for the first time. The project occupies a total site area of approximately 69.0 thousand sq. m. and has a total GFA of approximately 186.4 thousand sq. m. In 2018, this project obtained the GPDP International Design Silver Award from China International Interior Design Web (中國國際室內設計網) and the Organizing Committee of Sino-France International Design Exchange Exhibition (中法國際設計交流展組委會) Institut Francais du Design (法國設計學院).

#### ***Xian Xixian New Area Leisurely Courtyard (西安西鹹新區上悅城)***

Xian Weiyang Leisurely Courtyard, our fifth project in Xian, is premium residential project with high-rise apartment buildings and an emphasis on healthy and comfortable living style. It is located at Fengdong New City, Xian. It is benefited from the rapid development of Fengdong New City which aims to transform into an international city. The project occupies a total site area of approximately 182.7 thousand sq. m. and a total GFA of approximately 419.0 thousand sq. m.

#### ***Nantong Chongchuan Central Business District (南通崇川中央商務區)***

Nantong Chongchuan Central Business District is large-scale urban complex which comprises residential area, commercial districts, a central park, Nantong Sports Conference and Exhibition Center (南通體育會展中心), Jinshi International Hotel and a full-service shopping center. The project mainly consists of the development of medium and high-end residential buildings, commercial and residential buildings and Jinshi International Hotel. It is located at Central Business District, Nantong. It targets first-time buyers and property owners who plan to acquire another property to improve their living conditions for the first time. The project occupies a total site area of approximately 996.9 thousand sq. m. and a total GFA of approximately 2,670.9 thousand sq. m.

#### ***Nanjing Jianye Urban Oasis (南京建邺環境)***

Nanjing Jianye Urban Oasis is a residential project targeting property owners with home upgrade needs. It is located near Jiangxinzhou Station, Metro Line 10 and several main roads. It comprises six high-rise apartment buildings with enclosed garden layout and contemporary aesthetic architecture. It will be in urban garden style with multi-level landscape and all-age community space. Surrounded by shopping centers, international school and hospital under planning, the project is expected to have a well-equipped neighborhood at top international standard. The project occupies a total site area of approximately 34.9 thousand sq. m. and a total GFA of approximately 87.3 thousand sq. m. In 2020, the project was the only residential project obtaining the Jiangsu Province Green Building Three Star Award (江蘇省綠色建築三星獎).

### ***Putian Chengxiang Classic (莆田城廂瓏禧台)***

Putian Chengxiang Classic is a smart residential project following our smart community standard. We aim to develop it as a regional benchmark smart community. The project consists of a number of high-rise residential buildings and ancillary facilities. The project is in a convenience location. Putian Bus Terminal is located at its northern direction and a highway intersection is located at its western direction. The project occupies a total site area of approximately 38.4 thousand sq. m. and a total GFA of approximately 173.0 thousand sq. m.

### ***Hangzhou Begonia Mansion (杭州棠玥灣)***

Hangzhou Begonia Mansion is a green residential project. We aim to create an ecological, low- carbon, comfortable and livable healthy community. The design of this project was inspired by District 10 in Singapore. The project has a greening landscape system of approximately 26 thousand sq. m., connecting with a boulevard nearby. It has a greening rate of approximately 35%, one of the residential projects in the district with the highest greening rate. The project occupies a total site area of approximately 65.8 thousand sq. m. and a total GFA of approximately 151.4 thousand sq. m.

## **Our Land Bank**

As of December 31, 2021, we had land reserves held for future development for a total GFA of approximately 11,605.1 thousand sq. m., covering 21 provinces and municipalities across China.

The following table sets forth the geographical distribution and average cost of our land reserve held for future development in China as of December 31, 2021:

<b>Provinces and Municipalities</b>	<b>Total GFA Held for Future Development (10,000 sq. m.)</b>	<b>Average cost per sq. m. (RMB)</b>
<b>Bohai Economic Rim Region</b>	<b>158.63</b>	<b>2,911.6</b>
Beijing	12.87	2,921.1
Hebei	22.44	4,563.2
Liaoning	8.45	789.0
Shandong	114.87	2,744.0
<b>Yangtze River Delta Region</b>	<b>343.81</b>	<b>4,385.2</b>
Anhui	26.49	3,229.2
Jiangsu	227.41	3,502.9
Zhejiang	89.91	6,957.5
<b>Central and Western China</b>	<b>492.76</b>	<b>3,029.2</b>
Chongqing	28.19	5,067.9
Guizhou	27.49	5,639.9
Henan	34.75	2,636.5
Hubei	18.36	4,194.0
Hunan	5.15	3,451.1
Shaanxi	48.48	4,217.6
Sichuan	36.44	2,946.3
Xinjiang	76.90	2,434.9
Yunnan	175.60	2,211.6
Gansu	41.39	2,921.1
<b>Pearl River Delta Region</b>	<b>165.31</b>	<b>3,333.8</b>
Fujian	5.08	10,509.0
Guangdong	46.32	6,450.6

Provinces and Municipalities	Total GFA Held for Future Development (10,000 sq. m.)	Average cost per sq. m. (RMB)
Hainan.....	43.39	1,004.5
Guangxi.....	70.52	2,202.9
<b>Total</b> .....	<b>1,160.51</b>	<b>3,458.2</b>

For the year ended December 31, 2021, we had acquired 45 land parcels with a total GFA of approximately 7,519.7 thousand sq. m. Such new land parcels were acquired through diversified channels, approximately 65.5% were acquired through participation in government-organized public tenders, auctions and listings-for-sale and approximately 34.5% were acquired through acquisition of equity interest in specific project companies from third-party property developers. The table below sets forth the average cost for acquisition of new land parcels and the average sale price of our relevant properties sold for the three years ended December 31, 2021:

	For the year ended December 31,		
	2019	2020	2021
Average cost (RMB per sq. m.) <sup>(1)</sup> .....	5,250	5,002	3,837
Average sale price (RMB per sq. m.) <sup>(2)</sup> .....	12,725	13,281	13,439

Notes:

- (1) Average cost is calculated as aggregate cost for acquisition of new land parcels cost divided by total saleable area.
- (2) Average sale price is calculated as aggregate sale price of relevant properties sold divided by total sold area.

## Building Construction

### Overview

Building construction has been our core business since inception. We are mainly engaged in building construction work in both public and private sectors by undertaking property construction projects and public facilities construction projects. We also undertake electrical and mechanical engineering and other construction work. We have capitalized on the rapid economic development and continuing urbanization in China in the past decades and achieved strategic growth in our building construction business. From January 1, 2019 to December 31, 2021, we had completed 322 building construction projects with a total construction area of approximately 40,518,700 sq. m. We have undertaken a considerable amount of construction projects including high-quality residential, commercial and a diverse range of public works buildings across China. As of the date of this exchange offer memorandum, we have undertaken construction projects in 25 provinces, municipalities and autonomous regions in China.

As one of the four construction companies in China, we hold both the Premium-class Housing Construction EPC Qualification (房屋建築工程施工總承包企業特級資質) (“**Premium Class Qualification**”) and the Grade-A Construction Engineering Design Qualification (建築工程設計甲級) (“**Engineering Design Qualification**”). The Premium Class Qualification is the highest qualification awarded to building construction general contractors satisfying the high standards in relation to project management experience, technological innovation and scale of operations. The Engineering Design Qualification is awarded to those that meet high standards in relation to personnel qualifications, management capabilities and internal control. Holding these two top qualifications and other top-grade construction work related qualifications allows us to provide fully-integrated construction solutions, which consist of construction contracting and design services for building construction projects of all types and scales nationwide.

We undertake a majority of our projects as a general contractor. We provide construction services as a general contractor primarily for various construction projects, including residential buildings, commercial buildings and public works buildings. As a general contractor, we perform all major aspects of the construction projects, including main structure, lighting and utilities installation and fitting-out works. In certain projects where specialized construction work is required, if applicable laws and regulations permit, we may subcontract construction work to other professional companies to improve the time-and cost-efficiency of the relevant projects. We place a strong emphasis on quality control to ensure that the construction work we delivered comply with relevant rules and regulations relating to quality and safety and meet market standards. We are also responsible for engaging subcontractors and labor force for the project, coordinating the work of all parties and the overall management of the project, including raw material procurement and major equipment and machinery sourcing. In



addition to quality control, we are also committed in providing construction services that are closely tailored to meet our customers' needs and operating environments.

### ***Property Construction***

We mainly undertake construction work of residential properties and commercial properties. Our property construction projects are primarily obtained through public tender and bidding process represented by our wholly-owned subsidiary, Jiangsu Zhongnan Construction Industry Group Co., Ltd (江蘇中南建築產業集團有限責任公司) (“**Zhongnan Construction**”). We also enter into strategic cooperation agreement with our major customers to establish a long-term business relationship. Zhongnan Construction holds the Premium Class Qualification and the Engineering Design Qualification. In addition, it holds a number of top-grade qualifications in the construction industry, including the first-class building renovation and fitting-out qualification (建築裝修裝飾一級), the first-class EPC qualifications in relation to municipal and public transportation and highway construction (城市軌道交通工程專業承包資質), the first-class EPC qualification in relation to municipal and public utilities (市政公用工程施工總承包一級資質等建築業領先資質). We possess strong execution capabilities and extensive experience in construction work of super high-rise buildings and large-scale public buildings.

As of December 31, 2021, we had established our presence in over 30 large and medium-sized cities in China and set up 26 regional companies in major cities, such as Shanghai, Beijing, Nantong, Qingdao, Jinan, Tianjin, Chengdu and Xian, which constitutes a national network covering different local markets in China.

The nature of the projects we undertake primarily focus on general contracting, complemented by subcontracting. We mainly rely on in-house capabilities in undertaking the overall construction work. In certain significant tendered projects where specialized construction work is required, we may subcontract construction work to other professional companies holding relevant qualifications to improve the time and cost-efficiency of the relevant projects.

### ***Procurement***

The primary raw materials of our building construction projects are steel and concrete and the cost of raw materials constitute approximately 60% of our cost of sales. The construction period of our building construction projects are relatively long, which prolongs our procurement period. To minimize the cost-fluctuation risks and ensure stable supply of our raw materials, we have set up our list of strategic suppliers and maintained a centralized procurement mechanism with these strategic suppliers. When undertaking large-scale construction projects, we typically obtain fee quotes from our suppliers before submitting our tender. Once we win the bid, we will collect competitive fee quotes from several suppliers. We then formulate a flexible procurement plan with reference to our construction progress, and negotiate the terms and conditions of our procurement plan according to market conditions with our suppliers. We also negotiate for a budgetary adjustment after our construction is completed to compensate extra procurement cost arisen from price fluctuations of raw materials.

Self-procurement is the primary procurement model for our property construction projects. Under self-procurement, we procure the construction materials, such as raw materials and equipment, based on the actual need of the construction projects. Raw materials are procured by our headquarters and are distributed through our regional companies. Small amounts of raw materials are procured by each project group respectively. In certain circumstances, raw materials are supplied by the relevant project owners, which will decide on major terms and conditions, such as the supplier, the price and the payment method of the procurement arrangements. Under this model, we need to formulate a raw material usage plan and submit it to our customers and we are responsible for quality inspection, warehousing arrangement and allocate these raw materials for project use.

### ***Payment***

Certain of our customers pay a deposit of approximately 15% of the contract value after we undertake the projects. For other projects, we need to bear the construction cost of the projects before we get reimbursed. Our construction contracts generally provide for progressive payments according to milestones reached. When the construction work reaches certain stage, our customers pay us approximately 70% to 80% of the progress-based amount. The remaining is paid after the construction passes the quality inspection. Quality warranty or maintenance deposit retained by our customers are generally equal to 5% of the total contract value and we are paid through several installments within three years after the construction is completed. We follow market pricing for the construction work of our own property development projects undertaken by our subsidiaries and arrange payment by reference to progress achieved.

## Signature Projects

From January 1, 2019 to December 31, 2021, we had 174 completed property construction projects. We had 172 property construction projects under construction as of December 31, 2021. The following table sets forth our ten signature completed property construction projects as of December 31, 2021:

No.	Project Name	Contract Value		Completion Date	Awards/Honors
		Total GFA (sq. m.)	(RMB in million)		
1	Qingdao Zhongnan Century City District D (青島中南世紀城D區)	61,923	131.0	August 31, 2015	Structure Changcheng Cup Gold (結構長城杯金質獎)
2	Tongzhou Core District Project (通州核心區項目)	265,000	500.0	August 30, 2017	Beijing Structure Changcheng Cup Engineering Gold Award (北京市結構長城杯工程金質獎)
3	Hopson Regal Court (合生時代帝景)	327,790	395.1	June 30, 2017	Tianjin Architectural Engineering Structure Haihe Cup (天津市建築工程結構海河杯)
4	Shanghai Zhongjun Parkview Bay (上海中駿柏景灣)	160,000	288.0	September 15, 2016	Beijing Structure Changcheng Cup Engineering Silver Award (北京市結構長城杯工程銀質獎)
5	Vanke Qujiang Legend Phase 2 (萬科曲江傳奇二期)	400,000	1,100.0	May 1, 2014	Tien-yow Jeme Civil Engineering Prize – Gold Award for Outstanding (詹天佑獎 – 優秀住宅社區金獎)
6	Our Headquarter in Haimen	200,000	500.0	May 1, 2015	Lu Ban Award for China Construction Engineering (中國建築工程魯班獎), Yangtze Cup (楊子杯)
7	Kunshan Zhongnan Century City (昆山中南世紀城)	34,000	100.0	February 27, 2018	China Steel Structure Gold Award (中國鋼結構金獎)
8	Xian Vanke City Land Lot 3 (西安萬科城3號地)	127,000	170.0	October 12, 2014	Shaanxi Quality Structure Construction (陝西省優質結構工程)
9	Zhongrun Century City Phase 3 Wanjialong Project (中潤世紀城三期萬嘉隆項目)	165,960	300.0	February 1, 2015	Huadong Cup (華東杯)
10	Haimen Zhongnan Century City (海門中南世紀城)	879,026	2,400.0	April 1, 2017	Yangtze Cup (楊子杯)

The following table sets forth our ten significant property construction projects under construction as of December 31, 2021:

No.	Project Name	Contract Value		Commencement Date	Expected Completion Date
		Total GFA (sq. m.)	(RMB in million)		
1	Qingdao Jimo Zoina Mansion (青島即墨樾府)	190,000	550.0	May 15, 2020	July 14, 2022
2	Changsha Xinchu Qingtian Plaza (長沙新楚擎天廣場)	260,000	693.0	June 10, 2019	May 1, 2022
3	China Merchants Beijing Shunyi New Town No. 13 Street Project (招商北京順義新城第13街區項目)	139,622	661.9	February 21, 2022	October 18, 2023
4	Zhuoyuefang (li) Phase 2 Construction General Contracting Project (卓越坊(里)二期施工總承包工程)	261,548	413.0	July 1, 2020	March 9, 2023
5	Shaanxi Jinke Xianyang Jimei Jiayue Project Phase 1 Batch 2 Construction General Contracting Project (陝西金科咸陽集美嘉悅項目一期二批)	268,000	401.6	April 1, 2021	September 2, 2023

No.	Project Name	Contract Value		Commencement Date	Expected Completion Date
		Total GFA (sq. m.)	(RMB in million)		
	次施工總承包工程)				
6	Longhu Fengsheng Road Paradise Walk Project (龍湖峰勝路天街項目)	262,000	391.2	September 16, 2020	March, 2022
7	Ziyue Mansion General Contracting Project (紫樾錦西府總承包工程)	214,224	389.0	August 15, 2020	May 29, 2023
8	Tianjin China Merchants Tiantuo Project (天津招商天拖項目)	138,970	353.6	September 13, 2021	December 30, 2023
9	Luhao Tanglin Bay (魯昊棠琳灣項目)	189,245	338.5	August 20, 2020	January 31, 2020
10	Yancheng Jingyao Mansion (鹽城晶耀府項目)	192,500	329.4	June 1, 2021	October 21, 2022

### ***Public Facilities Constructions***

Our public facilities construction projects focus on construction of various types of public facilities, which primarily consist of schools, hospitals, affordable housing, among others. We mainly win project opportunities for our public facilities construction business through public tender and bidding process. Similar to the role of our property construction projects, we undertake the project mainly as general contractors, complemented by professional subcontracting. We conduct our public facilities construction projects through our regional branches locating in cities such as Beijing, Ji'nan, Qingdao, Nantong, Shanghai, Chengdu, Xian and Tianjin.

The procurement model of our public facilities construction projects is same as our property construction projects, consisting of self-procurement model and raw materials supplied by project owner.

In terms of business model, our public facilities construction projects can be categorized to two types, namely the general type projects and PPP projects.

### ***General Type Projects***

The profit model of our general public facilities construction projects is largely identical to the profit model of our property construction projects, while the prepayment amount of general public facilities construction projects is relatively lower. We normally charge higher project management fees and achieve high profit margin for our general public facilities projects, as compared to our property projects. The construction contracts we entered into normally do not involve operation responsibilities of the public facilities. The operation and management of such public facilities will be taken over by the local governments after the construction work is completed and passes the quality inspection.

A majority of our general public facilities construction projects are obtained through public tenders. We either enter into construction contracts on project base, or enter into framework agreements with relevant customers first and then respective contracts on project base. The output value of general public facilities construction projects shall be reviewed recognized by external project supervising companies and should be then reviewed by the National Audit Office before settlement. Typically, a maintenance deposit equivalent to 5% of the contract value will be maintained by the project owner.

Certain of our general public facilities construction projects are conducted through a “soft investment” model. Under the soft investment model, we generally enter into a memorandum or a framework agreement with the relevant local governments, before we enter into the relevant agency construction contracts. These framework agreements typically link up our construction fee with the sales proceeds of the respective land parcel. We are normally required to participate in the public tender of such land parcel. The relevant local governments will then pay us the agency construction fee within an agreed period after the land sales proceeds is received. The payback period for our prepayment under this model is relatively long. Taking into consideration of the development of relevant land parcel, we can generally gain relatively high profit under this “soft investment” model.

## PPP Projects

To capitalize on the transformation of funding model in the construction industry in China, we began to undertake PPP projects in 2016. Revenue of our PPP projects are recognized under public facilities construction projects. Under PPP projects, we acts as the private party of PPP projects to participate in public tenders of government projects. In the event we win the bid, we will set up a project company through sole proprietorship or through a joint venture with a designated government institution. Relevant government institution will enter into a PPP contract and franchise agreement with our project company. The project company will be responsible for the fund-raising, construction and operation of the respective PPP project, while relevant government institution is responsible for land supply, supervise the project and act as the project owner.

The registered capital of the project company represents the operation capital of the project jointly funded by relevant government institution and us. In general, the capital contributed by government institution will range from 10% to 20% of the registered capital. The project company is responsible for fund-raising of the remaining capital typically by loans borrowed from relevant financial institutions. These loans are typically secured by pledge of fee-charging right for use of the relevant public facilities and the relevant governments also provide commitment on loan repayment with the financial institutions to facilitate extension of loans. The investment income of the PPP projects we undertake primarily consist of fees payments in the forms of payment by the government, fees payment by the users and/or payment made by the users plus government subsidies. The project company will pay the construction fee to our subsidiaries conducting the construction work periodically based on the output value recognized by external project supervising company by reference to the project construction contract.

## Signature Projects

From January 1, 2019 to December 31, 2021, we had 69 completed public facilities construction projects. We had 48 public facilities construction projects under construction as of December 31, 2021. The following table sets forth our ten signature completed public facilities construction projects as of December 31, 2021:

		Contract Value			
No.	Project Name	Total GFA (sq. m.)	(RMB in million)	Completion Date	Awards/Honors
1	Huaian Sports Center（淮安市體育中心） .....	83,492	800.0	June 4, 2016	China Steel Structure Gold Award（中國鋼結構金獎）
2	Donying Olympic Sports Center（東營市奧體中心） .....	34,200	500.0	December 31, 2014	China Steel Structure Gold Award（中國鋼結構金獎）
3	Yancheng Chengnan New District TV Tower（鹽城市城南新區電視塔） .....	22,149	156.0	December 1, 2016	Yangtze Cup (Steel Structure)（楊子杯（鋼結構專業））
4	Heze Library（荷澤圖書館） .....	128,000	170.0	May 5, 2013	Taishan Cup（泰山杯）
5	Xinlong Square (Yancheng Chengnan Nanwei Business Center) No. D2 Building（新龍廣場（鹽城城南南緯商務中心）D2號樓） .....	170,000	300.0	July 30, 2016	National High Quality Project Award（國家優質工程獎）
6	Nantong Sports Conference and Exhibition Center（南通體育會展中心）	160,000	350.0	March 1, 2007	Lu Ban Award for China Construction Engineering（中國建築工程魯班獎）
7	Yancheng Finance City Phase 3（鹽城金融城三標段）	253,000	450.0	June 30, 2014	Recognized as a regional financial center
8	Huaian Innovation Investment Mansion（淮安創業投資大廈）	135,000	820.0	December 31, 2016	-
9	Donying Olympic Park（東營奧體公園）	150,000	400.0	May 1, 2015	China Steel Structure Gold Award（中國鋼結構金獎）
10	New Cultural Square（新文化廣場）	250,000	570.0	December 30, 2014	The highest vibration isolation structure in China

The following table sets forth our ten signature public facilities construction projects under construction as of December 31, 2021:

No.	Project Name	Total GFA/ Total Length (sq. m./km)	Contract Value (RMB in million)	Commencement Date	Expected Completion Date
1	Rizhao Technology Innovation Center PPP Project (日照科技創新中心PPP項目)	330,000 sq. m.	1,056.4	January 13, 2019	January 30, 2022
2	Nanjing Metro Line 4 Mengbei Station Plot Affordable Housing Phase I Project (南京地鐵四號線孟北站地塊保障房一期項目)	215,720 sq. m.	627.5	December 1, 2019	July 1, 2022
3	Bozhou Second People's Hospital PPP Project (亳州市第二人民醫院PPP項目)	180,000 sq. m.	758.6	May 1, 2020	May 1, 2023
4	Around17GeneralContracting (Integration of Design, Procurement and Construction) Projects (Roads and Bridges) at Chahe New Area Meiping Road (汧河新區美平路等17個項目工程總承包(設計、採購、施工一體化)項目(路橋))	16 km	661.6	May 1, 2021	December 30, 2022
5	Luoyang "Sihetongzhi" Jianhe River Maintenance Construction PPP Project (Internal Unit) (Roads and Bridges) (洛陽市“四河同治”澗河治理工程PPP項目(內部單位)(路橋))	20 km	610.0	April 1, 2020	December 30, 2022
6	General Contracting for Construction of Newly Built Ward Building (Combined with Pandemic) at Affiliated Hospital of Nantong University (南通大學附屬醫院新建病房樓(平疫結合)施工總承包)	86,332 sq. m.	530.5	November 17, 2020	December 31, 2023
7	Jiangsu Railway Operation Big Data R&D Center Project (江蘇鐵路運營大數據研發中心項目)	75,748 sq. m.	408.7	September 29, 2021	August 21, 2023
8	Jining Rencheng District Song Miao Pian District (Phase 2) Urban Village Reconstruction Project (EPC) (濟寧市任城區宋廟片區(二期)城邊村改造項目(EPC))	89,451 sq. m.	316.7	August 9, 2021	January 31, 2023
9	Gu'an Jingnan Technology and Innovation Valley (Phase 2) No.1 Plot Phase 1 Project Construction General Contracting Project (固安京南科技智谷(二期)1#地塊一期項目施工總承包工程)	139,654 sq. m.	214.5	March 30, 2021	April 30, 2023
10	Zhongnan Hi-Tech • Langfang Yongqing Chuangzhiyun Valley Industrial Park – No.2 Plot Project General Contracting Project (中南高科·廊坊永清創智雲谷產業園-2#地塊項目總承包工程)	114,550 sq. m.	170.2	April 29, 2021	May 11, 2023

### **Electrical and Mechanical Engineering**

We hold the Second-class EPC Qualification of Electrical and Mechanical Installation (機電安裝工程施工總承包貳級資質). We benefit from our strengths in electrical and mechanical engineering business and mainly focus on professional sectors such as civil and industrial installation, intellectualization. Our subsidiary Nantong Zhongnan Construction Equipment Installation Co., Ltd. (南通市中南建工設備安裝有限公司) (“Nantong Zhongnan”) has maintained an industry-leading position in large-scale equipment installation and intellectualization.

We generally receive a prepayment ranging from 10% to 30% of the contract value. During the construction process, our construction fee is paid on a monthly basis based on the construction progress. Upon completion of the relevant project, we typically receive 85% of the construction fee. Upon settlement, we generally have received 95% of the contract value. The remaining 5% of the construction fee will be kept as quality warranty, which will be returned in full when the warranty period, ranging from 1 year to 5 years, expires. The scale of each electrical and mechanical engineering project in terms of contract value varies on project bases.

## Signature Projects

From January 1, 2019 to December 31, 2021, we had 500 completed electrical and mechanical engineering projects. We had 377 electrical and mechanical engineering projects under construction as of December 31, 2021. The following table sets forth our ten significant completed electrical and mechanical engineering projects as of December 31, 2021:

No.	Project Name	Total GFA (sq. m./km)	Contract Value		Completion Date	Awards/Honors
			Total GFA (sq. m./km)	(RMB in million)		
1	Yancheng Finance City Phase 2 (鹽城金融城項目二標段) .....	230,000	44.0		August 20, 2015	National High Quality Project Award (國家優質工程獎), Star of China Installation (中國安裝之星)
2	Yancheng Sports Center Stadium (鹽城體育中心體育場) .....	54,800	81.1		October 1, 2015	Lu Ban Award for China Construction Engineering (中國建築工程魯班獎), Star of China Installation (中國安裝之星)
3	Yancheng Chengnan New District Hospital Southern District Emergency Medical Building (New Construction) (鹽城市城南新區醫院南區 新建工程門急診醫技樓) .....	95,000	230.0		June 15, 2016	Yangtze Cup (楊子杯)
4	Yancheng Xinlong Square No. D2 Building (鹽城新龍廣場D2號樓) .....	38,600	46.3		December 15, 2017	National High Quality Project Award (國家優質工程獎)
5	Huaian Sports Center (淮安市體育中心) .....	83,400	230.0		June 10, 2016	Provincial High Quality Project Award (省級優質工程獎)
6	Dieshiqiao Core Trade Zone Phase 3 Construction Work (疊石橋核心交易區三期工程) .....	66,818	139.9		October 30, 2014	Yangtze Cup (楊子杯)
7	Nantong Central International Square (南通中央國際廣場) .....	50,014	82.0		June 2, 2015	Lu Ban Award for China Construction Engineering (中國建築工程魯班獎)
8	Nantong Central Business District Land Lot A-03 (南通中央商務區A-03地塊) .....	72,146	110.0		November 18, 2016	Star of China Installation (中國安裝之星)
9	Wujiang Zhongnan Century City Phase 1.3 (吳江中南世紀城1.3期) .....	51,762	69.2		June 20, 2018	-
10	Zhongnan Bay New Town Public Project (中南海灣新城公建項目) .....	261,453	135.0		June 15, 2017	Star of China Installation (中國安裝之星)

The following table sets forth our ten significant electrical and mechanical engineering projects under construction as of December 31, 2021:

No.	Project Name	Total GFA (sq. m./km)	Contract Value		Commencement Date	Expected Completion Date
			Total GFA (sq. m./km)	(RMB in million)		
1	Fire, Water Supply and Drainage and Heating, Ventilation and Air-conditioning Engineering Work of Jinan Rail Transit Line R2 Jiangjiazhuang Station Parking Garage (濟南市軌道交通R2號線姜家莊地鐵站停車庫消防、給排水、暖通工程)	80,000	30.0		March 2020	May 2022
2	Electrical and Mechanical Engineering Work of Tsinghua University High School Jiaying School Junior Department (清華大學附屬中學嘉興學校初中部機電工程)	92,000	26.3		August 2020	November 2022

No.	Project Name	Contract Value		Commencement Date	Expected Completion Date
		Total GFA (sq. m./km)	(RMB in million)		
3	Electrical and Mechanical Engineering Work of Chongqing On-site Changchunteng Phase I and Phase 2 (重慶實地常春藤一期、二期機電工程)	260,000	31.2	August 2020	April 2022
4	General Contracting for New Ward Building (Anti-epidemic Combination) of Affiliated Hospital of Nantong University (南通大學附屬醫院新建病房樓(平疫結合)施工總承包)	86,000	40.0	December 2020	June 2023
5	Haimen North Xincheng Medical Complex (海門北部新城醫學綜合體)	200,000	178.8	July 1, 2021	July 10, 2024
6	Linyi 2020-076 Plot Commercial Complex Project Comprehensive Electrical and Mechanical Engineering Installation Project (臨沂2020-076地塊商業綜合體項目綜合機電安裝工程)	250,000	58.0	April 1, 2021	December 31, 2023
7	Nanjing Xingzhi Science Park Project CF Plot Residential Comprehensive Electrical and Mechanical Engineering Installation Project (南京興智科技園項目CF地塊住宅綜合機電工程)	162,651	31.2	April 1, 2021	December 1, 2022
8	Shaoxing Zeshuipai No. 2 Plot Commercial Mall Electrical and Mechanical Engineering General Contracting Project (紹興則水牌2號地塊商業Mall機電總承包工程)	457,798	25.9	September 1, 2021	December 31, 2022
9	Pearl River International Trade Center (East Area) Project Fire Engineering (珠江國際商貿中心(東區)項目消防工程)	273,460	20.5	October 1, 2021	December 31, 2022
10	Zhongnan Hi-Tech Wuhan Dongxihu Science and Technology Center – No.1 Plot – Phase 1 Power Engineering (中南高科武漢東湖科創中心-1#地塊-1期電力工程)	260,000	14.7	July 1, 2021	December 1, 2023

### ***Tender and Bidding***

Our construction projects are primarily obtained through public tender and bidding process. We submit our bid through our local branches or subsidiaries in the relevant regions where the projects are located. We believe we have maintained a relatively high tender success rate as compared to our peers.

### ***Newly-signed Contracts***

The table below sets forth contract value of our newly-signed building construction contracts by project type as of December 31, 2019, 2020 and 2021:

	As of December 31,			
	2019	2020	2021	
	(RMB in million)	(RMB in million)	(RMB in million)	(US\$ in million)
<b>Building Construction Projects</b>				
Property construction projects	17,821	20,921	11,309	1,788.8
Public facilities construction projects	8,251	8,387	8,319	1,305.4
Electrical and mechanical engineering projects	1,273	1,157	1,215	190.7
Other projects	433	222	327.5	51.4
<b>Total</b>	<b>27,778</b>	<b>30,686</b>	<b>21,260</b>	<b>3,336.2</b>

### ***Backlog***

Backlog represents our estimate of the contract value of work that remains to be completed as of a certain date. Backlog is different from the contract value of a project which represents the amount that we expect to receive under the terms of the contract assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles and may not be indicative of our future operating results.

## ***Our Construction Qualifications***

We hold a number of top-grade construction qualifications as general and professional contractors in China, which include:

- Premium-class Housing Construction EPC qualification (國家房屋建築工程施工總承包企業 特級資質)
- Grade-A Construction Engineering Design qualification (建築工程設計甲級)
- First-class building renovation and fitting-out qualification (建築裝修裝飾一級)
- First-class EPC qualifications in relation to municipal and public transportation and highway construction (城市軌道交通工程專業承包資質)
- First-class EPC qualification in relation to municipal and public utilities (市政公用工程施工總承包一級資質)
- First-class general contracting of electrical and mechanical installation engineering (機電安裝工程施工總承包一級)

Leveraging these top-grade qualifications, we are able to provide comprehensive and fully-integrated construction solutions to respond to its customers' demand for general and specialized construction contracting, project design and engineering services. These qualifications equip us with the capabilities to undertake complicated and large-scale construction projects, which provide us with opportunities to increase its brand awareness in our existing and potential markets.

## **Hotel Operation, Property Management and Others**

Leveraging our strengths in the property and construction industries in China, we have expanded into other business lines including hotel operations and property management. We have established subsidiaries mainly engage in operation of commercial properties and hotel management, such as Zhongnan Commercial and Zhongnan Jinshi Shiyuan. For the years ended December 31, 2019, 2020 and 2021, we recognized operating income of RMB1,181.1 million, RMB948.9 million and RMB1,131.0 million (US\$177.5 million) from this segment, representing approximately 1.6%, 1.2% and 1.4% of our total operating income during the relevant period.

As of December 31, 2021, we had 37 hotels in operation, 30 of which are directly operated by us and the remaining seven are entrusted to third parties. Our Jinshi Boutique Hotel was awarded "Most Valuable Boutique Hotel Brand in China" in 2016. We plan to expand our hotel operations to other first and second-tier cities in China with a focus on self-operated hotel chain business.

We also generate rental income through leasing of the nine shopping malls held by us located in Nantong, Yancheng, Taizhou and Qingdao. These nine shopping malls has a total rentable area of approximately 351.1 thousand sq. m. and an occupancy rate of 92.1% as of December 31, 2021. We also had 10 shopping mall projects under construction with a total GFA of approximately 605,755 sq. m. as of the same date.

## **R&D**

Our R&D team consisted of personnel who are industrial and civil building construction engineers with extensive industry experience. In order to keep ourselves abreast of the evolving technological advancements in the building construction industry and differentiate ourselves from our competitors, we place great emphasis on R&D of construction techniques. We have a strong R&D team that primarily focuses on improving and developing construction technologies, work process and materials which we believe will enhance our on-site work efficiency and provide us with first-mover advantage. We were one of the first construction companies to apply the new prefabricated concrete structure method in China. This method is considered a green construction method. It significantly reduces labor work on-site and allows for greater cost control.




As of December 31, 2021, we held six state-level engineering methods recognized by the MOHURD. State-level construction process methods are recognized for significant and innovative construction methods that have the potential to generate economic value. As of December 31, 2021, we also had obtained 85 provincial-level



construction process methods. We had also obtained 57 state-level and 75 provincial-level QC achievements as of the same date. We also actively participate in drafting and establishing technical specifications that form the PRC construction industry standards. For example, we are the principal author of Technical Specification for Precast Concrete Structures (《裝配式混凝土結構技術規程》) [JGJ1-2014], which was implemented as a national industry standard on October 1, 2014; and the principal author of Technical Specification for Precast Concrete Shear Wall Structures (《預製裝配整體式剪力牆結構體系技術規程》) [DGJ32/TJ125-2011], which was implemented as a provincial industry standard in Jiangsu Province on May 1, 2016.

## INTELLECTUAL PROPERTY

We rely on patents, copyrights and trademarks to protect our intellectual property rights. As of December 31, 2021, we had obtained 182 patents, of which 51 are invention patents and 131 are utility patents. We also possess unregistered trade secrets, technologies, know-hows, processes and other intellectual property rights.

We have registered a number of trademarks for our building construction and property development business in the PRC, such as ,  and . We have also registered the domain name of our official website “www.zhongnangroup.cn” and other related domain names including “www.zhongnancity.com” and “www.yc.zhongnancity.com”.

As of the date of this exchange offer memorandum, we did not suffer any material infringement of intellectual property by other parties and, to the best of our knowledge, we had not violated any intellectual property rights of any third parties and we are not a party to any litigation brought by any third party due to infringement of intellectual property rights.

## EMPLOYEES

As of December 31, 2021, we had 36,037 full-time employees. The following table sets forth the number of fulltime employees by function/department as of the date indicated:

	As of December 31, 2021	
	Number of employees	% of total
Sale and marketing.....	3,454	9.7%
Engineering and Technical.....	7,908	21.9%
Finance and accounting.....	869	2.4%
Administration.....	448	1.2%
Operation <sup>(1)</sup> .....	20,882	57.9%
Other <sup>(2)</sup> .....	2,479	6.9%
<b>Total</b> .....	<b>36,037</b>	<b>100.0%</b>

Notes:

- (1) Operation sector mainly consists of our construction workers.
- (2) Others consist of our auditing, human resources, IT, legal and client management employees and our senior management.

The remuneration package for our employees includes salaries, bonuses and allowances. Our employees are entitled to a variety of benefits, including medical care, housing subsidies, retirement and other benefits. In accordance with applicable laws and regulations, we have made contributions to social insurance schemes for our employees, which include pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund.

We have taken various measures to enhance our employees' skill and expertise. We provide trainings to our employees at different levels and functions on a regular basis. We sign individual employment agreements with our employees, covering, among other things, salaries, benefits, training, workplace safety, confidentiality obligations relating to trade secrets and grounds for termination.

## ENVIRONMENTAL PROTECTION AND WORKPLACE SAFETY

We regard workplace safety and environmental protection as important enterprise and social responsibility. We employ sound control measures over workplace safety and environmental protection including, among which, the following:

## Workplace Safety Measures

- Regular organization of three-level safety training programs, timely report of potential risks, improvement of employees' awareness over production safety;
- Regular safety check over all projects every month and implementation of remedial measures to rectify the risks if necessary;
- Safety bonus to project management team of each project if no safety incidents occurred throughout the whole project to encourage workplace safety;
- Regular analysis and evaluation of occupational hazards in the workplace; and
- Allocation of a certain percentage of construction cost to implement safety measures such as upgrading our safety equipment and technologies, carrying out potential risks assessment, and running safety checks and trainings.

## Environmental Protection Measures

- The establishment and implementation of environmental protection procedures such as the pre-setup of garbage disposal system, noise prevention facilities and dust reduction equipment prior to the commencement of projects;
- Disposal of pollutants emitted during our operations in accordance with local standards, aiming to reduce waste water, waste gas, solid waste and other pollutants; and
- Continuous improvement of our environmental protection system through R&D relating to energy conservation.

Our operations may generate air or water pollution, noise, hazardous materials and solid wastes, and we are subject to relevant laws and regulations on occupational health, safety and environmental protection. See “*Regulations.*” Except for certain workplace safety incidents, we believe that as of the date of this exchange offer memorandum, our business operations are in compliance with applicable health, safety and environmental laws and regulations in all material respects. See “*Risk Factors – Risks Relating to our Business – Compliance with PRC laws and regulations regarding environmental protection may cause us to incur additional construction costs and our failure to comply with any law and regulation may result in financial or legal liabilities.*” in this exchange offer memorandum.

## INSURANCE

We have purchased insurance coverage for our main products, certain real properties, machinery and equipment, automobiles and other assets owned, operated or deemed important to us. The main kinds of insurance policies we have purchased and maintained include property all risks insurance, machinery breakdown insurance, all risks construction insurance, public liability insurance and accidental pollution liability insurance. We maintain insurance coverage in amounts that we believe are commensurate with our risk of loss and industry practice. Consistent with what we believe to be customary practice in the PRC, we do not carry any business interruption insurance, key-man insurance, insurance covering potential environmental damage claims and contractors all-risk and third-party liability insurance. There is a risk that we do not have sufficient insurance coverage for losses, damages and liabilities should any of such arise from our business operation. See “*Risk Factors – Risks Relating to our Business – Our insurance policies may not be adequate to cover all risks of loss associated with our business operations*” in this exchange offer memorandum.

## LEGAL PROCEEDINGS

We are from time to time involved in disputes and legal proceedings arising in the ordinary course of our business. To the best of our knowledge, except as disclosed in “*Risk Factors – Risks Relating to our Business – We may be involved in disputes, claims and litigations in our ordinary course of business*” and “*Note XII.2 – Contingencies*” to our audited consolidated financial statements as of and for the year ended December 31, 2021, there are no pending litigation, arbitration or administrative proceedings against us as of the date of this exchange offer memorandum that could have a material adverse effect on our business, results of operations or financial condition.

## REGULATIONS

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

### **The PRC Legal System**

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

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

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

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

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

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

### **The PRC Judicial System**

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

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

The Civil Procedure Law of the PRC adopted in April 1991, amended in October 2007, August 2012, June 2017 and December 2021, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the location of the object of the action. However, such selection shall not violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

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

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

## **PRC Regulations Relating to Property Development**

### ***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 amended in August 2007 and in August 2009 and August 2019, 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 January 2011, March 2018, March 2019, March 2020 and November 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 fulltime professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate. The local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a property developer. Under the "Regulations on Real Estate Developments of Guangdong Province" (廣東省房地產開發經營條例) issued by the Standing Committee of Guangdong Provincial People's Congress in 1993 and as amended in 1997 and 2020, the registered capital of a property developer in the Guangdong Province ("Guangdong") shall be RMB3 million or more. 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.

To establish a property development enterprise, the developer should apply for registration with the administration for industry and commerce. 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.

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). In the case of a borrower that purchases his first residential unit with GFA of more than 90 sq.m., he is required to make a down payment of not less than 30% of the purchase price, with such percentage increasing to 40% for his subsequent residential unit purchases. In addition, the loan interest rate applicable to such subsequent residential unit purchases cannot be lower than 1.1 times of the benchmark lending rate published by the PBOC during the same period. For commercial units, the down payment should be no less than 50% of the purchase price, with a maximum loan period of 10 years and a minimum loan interest rate of 1.1 times the PBOC lending rate for the same period.

#### *Qualifications of a Property Developer*

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, December 2018 and March 2022, respectively, 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 two 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. The class 2 qualifications shall be reported to the construction authority of the relevant province, autonomous region or municipality directly under the central government or the real estate development authority of the PRC government at the districted city level determined by this department for examination and approval. 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.

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. A class 2 property developer may undertake a project with a gross floor area of less than 250,000 sq.m..

#### *Development of a Property Project*

Under the “Interim Regulations of the People’s Republic of China on Grant and Transfer of the Use Right of State-owned Urban Land” (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (“Interim Regulations on Grant and Transfer”) promulgated by the State Council in May 1990 and as amended in November 2020, 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 premium for the grant of the state-owned land use right.
- 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.

On June 1, 2012, the Ministry of Land and Resources revised and promulgated the “Measure for the Disposal of Idle Land” (閒置土地處置辦法), 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 Stateowned 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 in January 2011, the grantee to an 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 as amended in April 2015 and 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 amended on September 28, 2018 and March 30, 2021.

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, 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 “Regulations on the Development, Operation and Management of Property” provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations



of the State Council, land for property development shall initially be obtained by government grant. Under the “Rules regarding the Grant of State-Owned Land Use Rights for construction by way of Tender, Auction and Listing-for-Sale” (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Land and Resources on September 28, 2007 and effective on November 1, 2007, land for industrial use, commercial use, tourism, entertainment and commodity housing development shall be assigned by competitive bidding, public auction or listing-for-sale and, in the event that a land parcel for uses other than industry, commerce, tourism, entertainment and commodity housing development has two or more prospective purchasers after the promulgation of the relevant land supply schedule, the grant of the land parcel shall be performed by competitive bidding, public auction or listing-for-sale. Under the aforementioned regulations, the assignor shall prepare the public tender and competitive bidding documents and shall make an announcement 20 days prior to the day of public auction to announce the basic particulars of the land parcel and the time and venue of the public auction. The assignor shall conduct a vetting process of the bidding applicants and auction applicants, accept an open public tender to determine the winning tender; or hold an auction to ascertain a winning bidder. The assignor and the winning tender or winning bidder shall then enter into a confirmation and, then, into a land grant contract. The relevant land use rights certificates will not be issued prior to the full payment of the land premium.

On September 24, 2003, the Ministry of Land and Resources issued the “Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market” (關於加強土地供應管理促進房地產市場持續健康發展的通知), which was revised on December 3, 2010, 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 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 became effective on 26 January 2011 and was revised on February 26, 2013, and 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.

To support the demand of buyers of residential properties and promote the sustainable development of China’s real estate market, the PBOC and CBRC jointly issued a notice in September 2014, 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 the 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.

From September 30, 2016 to date, Beijing, Tianjin, Suzhou, Chengdu and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy. To promote the stable and healthy development of the real estate market in Beijing, among other measures, a new policy was adopted. This new policy requires the government to set a ceiling price for land granting and when bidders all bid at the ceiling price, the bidder with the lowest proposed property selling price would win the land. On October 12, 2016, the MOHURD required investigation and punishment of persons or entities that spread rumors, deliberately hype or disrupt the market to protect the rights and interests of housing buyers.

On February 13, 2017, the Asset Management Association of China issued the “No. 4 Administrative Rules for the Filing of Private Equity and Asset Management Plans Issued by Securities and Futures Institutions” (證券期貨經營機構私募資產管理計劃備案管理規範第4號) which suspends filings by securities and futures institutions for private equity and asset management plans investing in the ordinary residential real estate projects located in 16 cities in China, including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan and Chengdu. It also prevents private equity and asset management plans from funding real estate development enterprises to make payment for land premiums or providing real estate development enterprises with working capitals by means of, among others, entering into entrusted loans and trust plans and transferring beneficial rights of assets.

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, MOHURD issued the “Notice on Issues of Further Do Good Job of the Regulation of 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), requiring that local governments shall formulate residential property development plans according to their respective social development level, supply and demand of residential property and population, and certain cities shall increase the supply of construction land for residential properties.

### ***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.

Local governments also may also have regulations on pre-sales of commodity properties. In Guangdong Province, according to the “Regulations on Administration of Pre-sale of Commodity Properties of 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 in July 1998, as amended in August 2000, July 2010 and September 2014, respectively, and a notice issued by Guangdong Provincial Construction Bureau in January 2001, the following conditions must be satisfied prior to any pre-sale of commodity properties in Guangdong Province:

- a real property development qualification certificate and a business license have been obtained;
- the construction quality and safety monitoring procedures have been performed;
- the structural works and the topping-out must have been completed in respect of properties of not more than seven stories, and at least two-thirds of the structural works must have been completed in respect of properties of more than seven stories;

- a special property pre-sale account with a commercial bank in the place where the project is located has been opened; and
- the properties subject to pre-sale and the related land use rights are free from third-party rights.

In Sichuan Province, under the “Implementation Opinion for the Administration of Pre-sale of Commodity Housing” (關於加強城市商品房預售管理的實施意見) promulgated by the Sichuan Provincial Government in March 2000, any pre-sale of commodity properties in Sichuan Province must satisfy the following conditions:

- the land premium has been paid in full for the grant of the relevant land use right, and a land use right certificate has been obtained;
- a Permit for Construction Works Planning has been obtained;
- in the case of a commodity property with not more than six stories, the structural works and the topping-out must have been completed. In the case of a non-residential property with not more than six stories and a commodity property with seven stories or more, (i) the foundation and ground floor structural works must have been completed if the building has underground facilities and (ii) the foundation and structural construction for the first six floors must have been completed if the building does not have underground facilities; and
- the construction progress and timetable and the completion date have been fixed.

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.

Pursuant to the “Rules Governing the Administration of Urban and Town Property Transactions in Chongqing Municipality” (重慶市城鎮房地產交易管理條例) promulgated on June 7, 2002 and implemented on August 1, 2002 and as amended on May 27, 2011, September 26, 2019 and May 2021 by the Standing Committee of the People’s Congress of Chongqing Municipality, a property development entity has to comply with the following conditions in order to obtain a “Commodity Property Pre-sale Permit”:

- possesses a business license and the qualification for property development;
- executes the land grant agreement, hold approval documents of land use rights and obtained the land use rights certificate;
- holds a construction works planning permit and a commencement of construction works permit;
- where the proposed property for pre-sale is less than eight stories, the topping of the superstructure has been completed, and where the proposed property for pre-sale is more than nine stories, the area under construction has exceeded half of the proposed gross floor area approved by planning approvals;
- signs presale funds from pre-sale of commodity property monitoring agreement with presale funds supervising bank and construction supervision institution;
- formulates a temporary management covenant, concludes a prophase realty service contract and file at the local Housing and Construction Authority at the location of the project;
- formulates pre-sale of commodity property proposal. The pre-sale proposal shall specify such information relating to the commodity property, such as the location, area, who and how to assume the quality liability and pre-sale price etc.;
- the developers jointly applying for the pre-sale permits shall jointly obtained the land use right and execute the real estate cooperation development agreement; and
- other conditions as specified by laws and regulations.

According to the “Measures of Property Transactions in Shanghai Municipality” (上海市房地產轉讓辦法) promulgated on April 30, 1997, as amended on September 20, 2000, April 21, 2004, July 1, 2004 and December 20, 2010, a property developer must comply with the following requirements in order to obtain a “Commodity Property Pre-Sale Permit”:

- the land premium has been fully paid;
- the real estate ownership have been registered with the relevant authority and real estate ownership certificate have been obtained;
- the developer holds a construction works planning permit;
- the developer holds a permit for the commencement of construction work;
- the completed areas of the properties have reached the required standard; and
- the completion time of the properties and the plan for constructing related infrastructure have been confirmed.

In accordance with the above regulation, a property developer must apply to the Housing, Land and Resources Administration Bureau or country housing and land administration authorities of Shanghai Municipality, together with the abovementioned documentations, the floor plans. The review of the application shall be completed within 10 working days and the result of the application will be notified in writing. If the abovementioned requirements are met, the Commodity Property Pre-Sale Permit will be granted.

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部與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, 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 in 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.

On May 17, 2016, the General Office of the State Council issued the “Opinions on Accelerating the Cultivation and Development of Leasing Market” (國務院辦公廳關於加快培育和發展住房租賃市場的若干意見), which encourages real estate developers to carry out house leasing businesses. The said opinions support real estate developers to utilize built residential properties or newly built residential properties to carry out leasing businesses. The opinions also encourage real estate developers to put up the residential properties for rent and to cooperate with residential property leasing enterprises to develop rental properties.

On July 18, 2017, MOHURD, NDRC and other government departments jointly released the “Circular on Accelerating the Development of the Housing Leasing Market in Large and Medium-sized Cities with a Large Inflow Population” (關於在人口淨流入的大中城市加快發展住房租賃市場的通知, hereinafter referred to as the Circular). According to the Circular, the government will take multiple measures to speed up the development of the rental market and increase supply of rental housing, including but not limited to, encouraging the local governments to increase land supply for the development of property for rental and increasing the proportion of rental housing to the commercial residential building projects.

### ***Mortgages of Real Estate***

Under the “Urban Real Estate Law” promulgated in July 1994, as amended in August 2007, the Civil Code of the PRC promulgated on May 28, 2020 and effective on January 1, 2021, the “Measures for Administration of Mortgages of Urban Real Estate” (城市房地產抵押管理辦法) promulgated in May 1997, as amended in August 2001 and March 2021, when a mortgage is created on a building, a mortgage shall be simultaneously created on the land use right of the land on which the property is situated. The mortgager and the mortgagee shall sign a mortgage contract. After a real estate mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the real estate administration authority at the location where the property is situated. A real estate mortgage contract shall come into effect on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the “third party rights” item on the original property ownership certificate and then issue a certificate of third-party rights on the property to the mortgagee. If a mortgage is created on the commodity property put up for pre-sale or on property in development, the registration authority shall record the details on the mortgage contract. If construction of a property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the property after issuance of the certificates evidencing the rights and ownership to the property.

In September 2010, PBOC and the CBRC jointly issued the “Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies” (關於完善差別化住房信貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is raised to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) on their third or more residential property or to non-local residents who cannot provide documentation payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of terms of the land contract, changing the land usage, postponing the construction commencement or completion date, hoarding or other noncompliance will be restricted from obtaining bank loans for new projects or extension of credit facilities

In addition, certain cities have promulgated measures to restrict the number of residential properties a household is allowed to purchase, such as Guangzhou, Shenzhen, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian.

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



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

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 provides, among others things, that 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. Since August 2014, most of the local governments have issued their respective measures to lift the housing purchase restrictions. For example, Foshan eased its home purchase restriction on August 7, 2014 by allowing non-residents to buy one housing unit and registered local residents to buy up to two units.

To support the demand of buyers of residential properties and promote the sustainable development of China’s real estate market, the PBOC and CBRC jointly issued a notice in September 2014, 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 the 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 a notice to lower the minimum down payment to 40% for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve their living conditions, and allow the bank to decide at its own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower.

On August 27, 2015, the MOHURD, the MOF and PBOC jointly issued the “Notice on the Adjustment of the Rate of the Minimum Down Payment for Personal Housing Loans from Housing Provident Fund” (關於調整住房公積金個人住房貸款購房最低首付款比例的通知) to further improve the policies on the personal housing loans from a housing provident fund and support the needs of depositing workers, under which, from September 1, 2015, with regard to families which have already owned one house and settled the housing payment, when applying for loans from the housing provident fund for a second housing so as to improve living conditions, the lowest down payment rate will be reduced from 30% to 20%.

In February 2016, PBOC and CBRC jointly issued the Circular on Issues Concerning Adjusting the Individual Housing Loan 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 restrictions on the purchase of residential property have not been implemented, the minimum down payment ratio for a first-time home buyer is, in principle, 25% of the property price, which can be adjusted downward by 5% by the local authorities. For existing residential property household owners who have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. In cities that have implemented restrictions on the purchase of residential property, the personal housing commercial loan policies shall remain unchanged.



## ***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.
- Commercial banks may only provide housing loans to individual purchasers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the first instalment remains to be 20%. For any additional purchase of residential unit(s), the percentage of the first instalment shall be increased.
- When a borrower applies for mortgage loan of individual commodity property, the mortgage shall not be more than 60% of the purchase price of the property. In addition, the tenure of the loan may not be more than 10 years and the commodity house shall be completed and delivery accepted after inspection.

The down-payment requirement was subsequently increased to 30% of the property price for residential units with a GFA of 90 sq.m. or more, effective on June 1, 2006. See “– *Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices*” below.

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.

Under the “Notice of the People’s Bank of China on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve” (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) issued by the PBOC on March 16, 2005 and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the 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. The opinions also require that, from June 1, 2006, the minimum amount of down payment shall not be less than 30% of the purchase price of the underlying individual commodity houses with a GFA of 90 sq.m. or more.

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. The measures adopted include:

- for a first time home buyer, increasing the minimum amount to 30% of the purchase price as down payment where the property has a unit floor area of 90 sq.m. or above and the purchaser is buying the property for use as one's own residence;
- for a second time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price; and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate. If a member of a household (including the buyer, his/her spouse and their children under 18) finances the purchase of a residential unit, any member of the household that buys another residential unit with loans from banks will be regarded as a second time home buyer;
- for commercial property purchases, (i) prohibiting banks from financing any purchase of presold properties; (ii) increasing the minimum amount of down payment to 50% of the purchase price; (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate; and (iv) limiting the tenure of such bank loans to no more than ten years, although commercial banks are allowed some discretion based on its risk assessment;
- for purchases of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price, with the other terms to be decided by reference to commercial properties; and
- prohibiting commercial banks from providing loans to property developers who have been found by relevant government authorities to be holding excessive amounts of land and properties.

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

According to the notice on “Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans” (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知), the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio of residential properties was lowered to 20% for units with an area of less than 90 sq.m.

In January 2010, the General Office of the State Council issued a “Circular on Facilitating the Stable and Healthy Development of Property Market” (關於促進房地產市場平穩健康發展的通知), adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance on the purchase of property, curb speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a household (including a borrower, his or her spouse and children under 18), which has already purchased a residence through mortgage financing and has applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

On April 17, 2010, the State Council issued the “Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities” [Guofa (2010) No. 10] (國務院關於堅決遏制部分城市房價過快上漲的通知) which stipulated that down payment for the first property with an area of more than 90 sq.m. shall not be less than

30% of the purchase price; down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans.

On May 26, 2010, the MOHURD, PBOC and the CBRC jointly issued the “Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Commercial Personal Housing Loans” (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account the total number of residential properties owned by the household of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

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

In November 2010, MOHURD and SAFE jointly promulgated the “Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals” (關於進一步規範境外機構和個人購房管理的通知), pursuant to which, a foreign individual can only purchase one unit of residential property for self-use in the PRC and an overseas institution which has established a branch or representative office in the PRC can only purchase non-residential properties for business use in the city where it is registered within the PRC.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), which: (i) imposes a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are excessively high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation evidencing payment of local tax or social security for longer than a specified time period, are not permitted to acquire any residential properties. In order to implement the “Notice on Further Strengthening Regulation and Control of Real Property Markets”, certain cities, including Beijing, Shanghai, Chengdu, Qingdao, Hainan, Nanjing, Guangzhou, Tianjin, Shenyang and Jinan, have promulgated measures to restrict the number of residential properties a household is allowed to 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 provides that 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. On November 15, 2013, the General Office of the People’s Government of Guangzhou issued the “Opinions concerning Further Strengthening of the Macroeconomic Control of the Real Property Market” (《廣州市人民

政府辦公廳關於進一步做好房地產市場調控工作的意見》), which requires the Guangzhou Branch of PBOC to further increase minimum down payment for loans to purchase second properties in accordance with the price control targets of Guangzhou.

To support the demand of buyers of residential properties and promote the sustainable development of China's real estate market, the PBOC and CBRC jointly issued a notice in September 2014, 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 the 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 a notice to lower the minimum down payment to 40% for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve their living conditions, and allow the bank to decide at its own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower.

On December 28, 2020, the PBOC and CBRC jointly promulgated the Notice of the PBOC and CBRC on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (《中國人民銀行、中國銀行保險監督管理委員會關於建立銀行業金融機構房地產貸款集中度管理制度的通知》), which requires a PRC financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution. A relevant financial institution will have a transition period of two years or four years to comply with the requirements depending on whether such financial institution exceeded 2% of the legal proportion based on the statistical data relating to such financial institution as of December 31, 2020. Under the notice, the PBOC and CBRC will have the authority to take measures such as, among other things, imposing additional capital requirements on and reallocating the weight adjustments relating to the risk of real estate assets for financial institutions that fail to rectify the proportion requirements within a certain period.

On May 2022, PBOC and the CBRC jointly issued the “Notice on Relevant Issues Regarding the adjustment of Interest Rates for Differential Mortgage Loan Policies” (關於調整差別化住房信貸政策有關問題的通知), which provides that, the minimum loan interest rate for the first property shall be not less than the corresponding PBOC benchmark bank lending rates minus 20 basis points, and the minimum loan interest rate for the second property shall be implemented in accordance with the current regulations.

### ***Property Management***

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version) (the “**2021 Negative List**”), property management business does not fall within the negative list. The Foreign Investment Law provides that foreign investors shall not invest in the prohibited industries and shall meet the market entry conditions stipulated under the negative list for making investment in restricted industries. According to the 2021 Negative List and the relevant requirements set out under the laws and the administrative regulations on foreign-invested enterprises, a foreign-invested real estate management enterprise can be set up under the laws and the regulations on foreign-invested enterprises. Furthermore, according to The Implementation Rules of the Foreign Investment Law, effective on January 1, 2020, provides that foreign-invested enterprises and other domestic enterprises shall be equally treated with respect to, among others, the allocation of governmental funding, land supply, tax treatment, licensing and permits.

According to the “Regulation on Real Estate Management” (物業管理條例) enacted by the State Council on June 8, 2003 and enforced on September 1, 2003, as amended on August 26, 2007 and effective on October 1, 2007, as amended on February 6, 2016 and March 19, 2018, the state implements a qualification scheme system in monitoring the real estate management enterprises. According to the “Measures for Administration of Qualifications of Real Estate Management Enterprises” (物業管理企業資質管理辦法) enacted by the Ministry of Construction on March 17, 2004, enforced on May 1, 2004, and as amended and effective on November 26, 2007, a newly established real estate management enterprise shall, within 30 days of receiving its business license,

apply to the applicable local authority for the grant of qualification certificate. The applicable local authority will assess the qualification of the applicant and issue a “real estate management qualification certificate” based on assessment. The Ministry of Construction amended the “Measures for Administration of Qualifications of Real Estate Management Enterprises” on November 26, 2007 and changed its title to “Measures for Administration of Qualifications of Real Estate Service Enterprises” (物業服務企業資質管理辦法). The amendment removed the requirement of annual inspection of real estate management enterprises and replaced the references to “real estate management enterprises” with references to “real estate service enterprises.”

According to the “Measures for the Administration on Qualifications of Real Estate Service Enterprises,” real estate service enterprise shall be accredited as class one, class two or class three of qualification. The Department of Construction of the State Council is responsible for the issuance and administration of the qualification certificate for class one real estate service enterprises. The competent construction departments of the relevant provincial and regional government are responsible for issuing and administering the qualification certificate for class two real estate service enterprises, and the competent realty departments of the relevant municipal government are responsible for issuing and administering the qualification certificate for class two and three real estate service enterprises. The competent realty departments of the people’s governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three real estate service enterprises. The real estate service enterprises with class one qualification may undertake various property management projects. The real estate service enterprises with class two qualification may provide property management services to residential properties of less than 300,000 sq.m. of GFA and non-residential properties of less than 80,000 sq.m. of GFA. The real estate service enterprises with class three qualification may provide property management services to residential properties with less than 200,000 sq.m. of GFA and non-residential properties with less than 50,000 sq.m. of GFA.

According to the “Regulation on Real Estate Management,” the general meeting of owners in a property can appoint or dismiss the property management service provider with affirmative votes of more than half of the owners holding, in the aggregate, the noncommunal area of more than 50% of the total GFA of the property. Before the formal appointment of a property service enterprise by the general meeting of the owners, a written temporary service contract should be signed by the construction institutions (for example, a developer) and a property service enterprise.

However, on March 8, 2018, the Measures on Administration of Qualification Certificates of Property Service Enterprises was abolished. On March 19, 2018, the Regulation on Real Estate Management was revised accordingly so that no qualification certificate is required for property services.

### ***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.

### ***Hotel Development***

According to the 2021 Negative List, Construction and operation of common and economic hotels does not fall within the negative list.

A foreign-invested enterprise engaging the hotel business can set up an enterprise according to the 2021 Negative List and the requirements of the relevant laws and the administrative regulations on foreign-invested enterprises.

Hotel developments in China are also subject to regulations governing property development generally, including those relating to land use, project planning and construction.

Currently, no dedicated regulator has been designated for the hotel industry in the PRC. The governmental regulation of operations of hotel business is undertaken by different authorities in accordance with the respective business scopes of different hotels.

#### *Supervision on security and fire control*

Pursuant to the “Measures for the Control of Security in the Hotel Industry” (旅館業治安管理辦法) issued by the Ministry of Public Security of the People’s Republic of China and enforced on November 10, 1987, as amended on January 8, 2011, November 29, 2020 and March 29, 2022, a hotel can start operations only after obtaining a business license and applying to the local public security bureau for the Special Industry License. The hotel operators should make a filing with the local public security bureau and its branches in the county or city, if the hotel operators has any material change such as closing, transferring business or merging into other business, changing place of business and name. Pursuant to the “Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions” (機關、團體、企業、事業單位消防安全管理規定) enacted by the Ministry of Public Security on November 14, 2001 and enforced on May 1, 2002, and as amended on May 21, 2009, hotels (or motels) are subject to special regulation in terms of fire control and safety. When a hotel is under construction, renovation or re-construction, a fire control examination procedure is required and when the construction, renovation or reconstruction project is completed, a hotel can only open for business after passing a fire control inspection.

#### *Supervision on public health*

According to relevant regulations and rules in relation to public health, hotels are subject to public health regulation. The operating enterprise should gain the sanitation license. The measures for granting and managing sanitation license are formulated by public health authority of the province, autonomous region, and municipality directly under the central government. The sanitation license is signed by the relevant public health administration and the public health and epidemic prevention institutions grant the license. The sanitation license should be reviewed once every two years.

#### *Supervision on food hygiene*

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain food hygiene licenses. Food hygiene licenses are granted by food hygiene administrative bodies above county level. The purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards of food hygiene.

#### *Supervision on entertainment*

According to the “Regulation on the Administration of Entertainment Venues” (娛樂場所管理條例) enacted by the State Council on January 29, 2006 and effective on March 1, 2006 and as amended in February 2016 and in November 2020, hotels that operate singing, dancing and game facilities for profit should apply to the relevant local competent authorities of culture administration for entertainment commercial operations approvals. The relevant local competent authorities for entertainment administration shall issue a license for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venue according to the prescriptions by the competent authorities of entertainment administration under the State Council in its approval. According to the regulations concerning broadcast, movies and television, hotels with three stars or above or with the second rank of the national standards may apply to local broadcast and television administration of the county or above for setting ground equipment receiving satellite signal to receive entertainment programs from abroad. After finishing setting ground equipment and gaining the approval from broadcast and television administration from the relevant provincial, regional and municipal government and the approval from state security administration, the permit of receiving foreign television program from satellite is issued.

#### *Supervision on disposition of sewage and pollutants*

According to “Regulations of the Ministry of Construction on the Conditions for the Fifteen Items of Administrative Licensing that are Included in the Decisions of the State Council” (建設部關於納入國務院決定的十五項行政許可的條件的規定) enacted by the Ministry of Construction on October 15, enforced on December 1, 2004, and as amended on September 7, 2011, hotels that use or plan to use the city sewage system for water drainage should apply to the local city construction authority for city water-draining permit.

### *Supervision on special equipment security*

Elevators (lifts or escalators), boilers and pressure containers are treated as special equipment under relevant PRC regulations. According to the “Regulations on Security Supervision of Special Equipment” (特種設備安全監察條例) enacted by the State Council on January 24, 2009 and enforced on May 1, 2009, hotels should register with the special equipment security supervision authority of municipal government or city which has set up districts, and should undergo periodic inspection by the special equipment examination institution.

### ***Major Taxes Applicable to Property Developers***

#### *Income tax*

According to the EIT Law which was promulgated by the National People’s Congress 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 “Interim Regulations of the People’s Republic of China on Business Tax” (中華人民共和國營業稅暫行條例) promulgated by the State Council in 2008, the tax rate of the transfer of immovable properties, their superstructures and attachments is 5%. The business tax rate for our property management and hotel operation businesses is also 5%. 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) and the “Implementing Measures for the Pilot Program for Transition from Business Tax to Value-added Tax” (營業稅改徵增值稅試點實施辦法) issued by the MOF and SAT on March 23, 2016. 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 amended on June 15, 2018 by SAT, “self-development” means infrastructure facilities and buildings erected on the land with land use rights which are developed by a real estate development company (“taxpayer”). These measures are also applicable to a development completed by a taxpayer after such project is taken over.

VAT is payable by taxpayers in the calendar month immediately following receipt of the presale proceeds of real estate self-development in accordance with the following formula:

$$\text{Prepaid VAT} = \text{Presale proceeds} \div (1 + \text{applicable rate or simplified rate}) \times 3\%$$

The applicable rate is 11%. Nevertheless, for taxpayers conducting old real estate projects and have chosen simplified tax method, the simplified rate of 5% will be applied in calculating the Prepaid VAT. Once simplified tax method is chosen, it will be applicable for 36 months.

Old real estate projects refer to (1) real estate projects with commencement dates of construction stated in the Construction Permits prior to April 30, 2016, and (2) construction projects which commencement dates of construction are not stated in the Construction Permits, or construction projects with commencement dates of construction stated in the construction contracts prior to April 30, 2016 but has yet to receive Construction Permits.

On November 19, 2017, the Interim Regulations of the People’s Republic of China on Business Tax was abolished and the Interim Regulations of the People’s Republic of China on Value added Tax (中華人民共和國增值稅暫行條例) 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 a notice jointly issued by MOF and SAT in April 2018, starting from May 1, 2018, the VAT rate will be 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.

#### *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, and 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 and 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; or
- 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. On August 5, 2004, the State Administration of Taxation issued the “Notice of the State Administration of Taxation in Respect of Further Enhancing the Administration on Collection of Urban Land Use Tax and Land Appreciation Tax” (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) to further enhance the administrative efforts relating to the collection of LAT. It is stipulated in this notice that the waiver of LAT on any land grant contracts executed prior to January 1, 1994 has expired, and that appreciation in land value shall be subject to LAT irrespective of the time of assignment.

On March 2, 2006, the State Administration of Taxation and the Ministry of Finance issued the “Circular of the Ministry of Finance and the State Administration of Taxation on Land Appreciation Tax” (關於土地增值稅若干問題的通知). 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.

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, 2009.

On May 19, 2010, the State Administration of Taxation has issued the “Circular on Issues Concerning Settlement of Land Appreciation Tax” (關於土地增值稅清算有關問題的通知) which clarifies revenue recognition in the settlement of LAT and other relevant issues. According to the said circular, in the settlement of LAT, if the sales invoices of commodity properties are issued in full, the revenue shall be recognized based on the amount indicated in the invoices; if the sales invoices of commodity properties are not issued or are issued in part, the revenue shall be recognized based on the purchase price indicated in the sales contract as well as other proceeds. If the area of a commodity property specified in a sales contract is inconsistent with the result obtained by the relevant authorities after on-site survey, and if purchase price for the property is made up or refunded before the settlement of LAT, adjustments shall be made accordingly in the calculation of LAT. The said circular also provides that the deed tax paid by a real estate development enterprise for land use rights shall be treated as the “relevant fees paid in accordance with the uniform regulations of the state” and be deducted from the “amount paid for land use rights.”

On May 25, 2010, the State Administration of Taxation published the “Circular on Strengthening the Collection and Administration of Land Appreciation Tax” (關於加強土地增值稅徵管工作的通知) to require all local governments to scientifically formulate the tax rate and strengthen provisional LAT taxation. According to this circular, all local governments shall make adjustments to the current provisional LAT rate. In addition to safeguarding housing, the provisional LAT rate of provinces in the eastern region shall not be lower than 2%, while the provinces in middle and northeastern region shall not be lower than 1.5% and the provinces in western region shall not be lower than 1%. The local governments shall determine the provisional LAT rate applicable to different types of real estate.

#### *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” promulgated by the People’s Government of Guangdong in June 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 amended in December 2006, January 2011, December 2013 and 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” promulgated by the Ministry of Finance on November 2, 1988 and the “Approval on Land Use Tax Exemption of Foreign-Invested Enterprises” 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 and last amended on March 2, 2019. 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 as

amended on January 8, 2011, the property tax rate is 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

On January 27, 2011, the government of Chongqing Municipality issued the “Interim Measures Concerning Pilot Property Tax Scheme on Certain Personal Residential Properties” (關於進行對部分個人住房徵收房產稅改革試點的暫行辦法) and the “Implementation Rules for Collecting Administration Regarding Property Tax on Personal Residential Properties” (重慶市個人住房房產稅徵收管理實施細則), each effective on January 28, 2011 and as amended on January 13, 2017. The Chongqing government will execute the pilot scheme to impose property tax on personal residential properties within the nine major districts of Chongqing Municipality in stages from January 28, 2011. The first batch of personal properties subject to property tax include (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two years, and (iii) the first or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals in Chongqing who are not employed in and do not own an enterprise in Chongqing. Stand-alone residential properties (such as villas) and high-end residential properties that are priced less than three times, three to four times or more than four times of the average price per square meter of new residential properties developed within the nine major districts in the last two years will be subject to property tax rates at 0.5%, 1% or 1.2%, respectively, of the property’s purchase price. The second or further ordinary residential properties purchased on or after January 28, 2011 by nonresident individuals who are not employed in and do not own an enterprise in Chongqing will be subject to property tax rate at 0.5% of the property’s purchase price. The following area will be deductible from the tax base: (i) 180 sq.m. for stand-alone residential properties (such as villas) purchased before January 28, 2011, and (ii) 100 sq.m. for stand-alone residential properties (such as villas) and high-end residential properties purchased on or after January 28, 2011. The deductible area will apply to only one taxable residential property for a household, but not to any non-resident individual who is not employed in and does not own an enterprise in Chongqing.

On January 27, 2011, the government of Shanghai Municipality issued the “Interim Measures on Pilot Property Tax Scheme on Certain Personal Residential Properties in Shanghai” (上海市開展對部分個人住房徵收房產稅試點的暫行辦法), which provides that, within the territory of the administrative regions of the Shanghai Municipality, property tax will be imposed on any purchase of a second (or further) residential property by local residents or any purchase of a residential property by non-local residents on or after January 28, 2011, at rates ranging from 0.4% to 0.6% based on 70% of the purchase price of the property. These measures became effective on January 28, 2011.

#### *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 as amended in January 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 Urban Maintenance and Construction Tax Law of the People’s Republic of China (中華人民共和國城市維護建設稅法) promulgated by Standing Committee of the National People’s Congress on August 11, 2020, the withholding agents of urban maintenance and construction tax are the entities and individuals that are obligated to withhold VAT and consumption tax, and they shall withhold urban maintenance and construction tax when withholding VAT and consumption tax. The amounts of VAT and consumption tax paid for imported goods or labor services, services or intangible assets sold within the territory of China by overseas entities and individuals are not subject to urban maintenance and construction tax.

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.

### *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 November 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”, 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”, 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 May 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 October 10, 2007, the Ministry of Land and Resources issued a regulation, which 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,” (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio of residential properties was lowered to 20%. Pursuant to the “Notice on the Adjustments to Taxation on Real Property Transactions” (關於調整房地產交易環節稅收政策的通知) issued by the Ministry of Finance and the State Administration of Taxation on October 22, 2008 and amended on September 29, 2010, being the only residence of the family, 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 nonordinary 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收政策的通知), 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 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 November 15, 2013, the general office of the People’s Government of Guangzhou issued the “Opinions concerning Further Strengthening of the Macroeconomic Control of the Real Property Market” (《廣州市人民政府辦公廳關於進一步做好房地產市場調控工作的意見》), which requires: (1) the speeding up of low-cost commodity housing supply and controlling of high-end commodity housing supply. The low-density commodity housing projects under construction will be approved for sale only after the completion of the initial registration of the real estate; (2) non-local resident families who can provide local tax clearance certificates or local social insurance payment certificates for three consecutive years are permitted to purchase only one house (including newly built houses and secondhand houses); and (3) the Guangzhou Branch of PBOC should further increase minimum down payment for loans to purchase second properties in accordance with the price control targets of Guangzhou.

On September 29, 2014, the PBOC and CBRC jointly issued the “Notice on Further Improving Financial Services for Real Estate Sector” (關於進一步做好住房金融服務工作的通知), which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

In March 2015, the PBOC, CBRC and MOHURD jointly issued the “Notice on Relevant Issues Concerning the Individual Housing Loan Policy” (關於個人住房貸款政策有關問題的通知), which provides that where households that own a residential property and have not paid off their existing mortgage loan applies for a new

mortgage loan to buy another residential property to improve their living conditions, the minimum down payment will be 40% of the property price, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower.

On February 1, 2016, the PBOC and CBRC jointly issued the “Notice on the Adjustment of Individual Housing Loans Policies” (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%.

On October 10, 2016, the MOHURD issued the “Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order” (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

### ***Regulations on Transactions of Commodity Buildings***

According to the Development Regulations and the Pre-sale Measures, for pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building to the relevant property administrative authorities.

Pursuant to the “Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House Prices” on May 9, 2005, there are several regulations when conducting commodity building transactions:

- A buyer of a commodity building is prohibited from conducting any transfer of a pre-sold commodity before completion of construction and obtaining the Property Ownership Certificate. If there is discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the registration organ of the property administration shall not record the application of property ownership.
- A real name system is applied for each property purchase transaction and an immediate archival filing network system is in place for pre-sale contracts of commodity buildings.

On July 6, 2006, the Ministry of Construction, the NDRC, and the SAIC jointly promulgated “Notice on Reorganizing and Regulating the Transaction Procedures of Property” (關於落實新建住房結構比例要求的若干意見) the details of which are as follows:

- A developer should start to sell the commodity buildings within 10 days after receiving the permit for pre-sale of commodity buildings. Without this permit, the pre-sale of commodity buildings is prohibited, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments.
- The property administration authority should establish an immediate network system for presale contracts of commodity buildings and the system should, issue the transaction information of a piece of property. The basic location and information of the commodity building, the schedule of the sale and the rights status should be duly, truly and fully published on the network system and at the locale of sale. The advance buyer of a commodity building is prohibited from conducting any transfer of the advance sale of the commodity building that he has bought but which is still under construction.
- Without the permit for pre-sale of commodity buildings, no advertisement of the pre-sale of commodity buildings may be issued.



- The property developers with a record of serious irregularity or developers which do not satisfy the requirements of the pre-sale of commodity buildings are not allowed to take part in such sale activities.
- The property administration authority should strictly carry out the regulations of the pre-sale contractor registration and record and apply the real name system for house purchases.

## **PRC Regulations Relating to Building Construction**

### ***Regulatory Authorities***

The principal governmental authorities in the PRC that regulate the business of the Group are:

- The MOHURD and the local administrative authorities governing construction, which are responsible for: (i) the administration of requirements and qualifications of enterprises in the construction industry, including the review and approval of market entry requirements for, and the endorsement and confirmation of qualifications of, various types of construction enterprises, the establishment of industry standards and codes, and the supervision and administration of industry quality; (ii) the supervision and administration of the qualifications for carrying out national construction, engineering exploration, design and engineering cost consulting businesses; (iii) the supervision and administration of construction, engineering exploration, design and engineering cost consulting activities; (iv) the supervision and administration of the examination of working drawings and design documents of construction projects; and (v) the supervision and administration of urban-rural planning formulation;
- The NDRC and the local development and reform commissions, which are responsible for the planning, review and approval of construction projects with fixed asset investments;
- The MOFCOM and the local administrative authorities for commerce, which are responsible for the supervision and administration of the qualifications and bidding processes of enterprises contracting for overseas projects and the establishment of any overseas company through outbound investments by such enterprises, as well as foreign investments in the construction industry;
- The State Administration of Work Safety and the local administrative authorities for work safety, which are responsible for the supervision and administration of construction safety in the PRC; and
- The Ministry of Environmental Protection and the local administrative authorities for environmental protection, which are responsible for the administration of environmental protection issues of construction projects, including the review and approval of environmental impact assessment documents for construction projects, the assessment of qualifications of enterprises that conduct environmental impact assessment for construction projects and the inspection and acceptance of environmental protection facilities of construction projects.

### ***Qualifications***

#### ***Administration of qualifications***

Pursuant to the Construction Law of the PRC and other relevant laws and regulations, an enterprise engaged in construction, survey, design and project supervision activities shall obtain different classes of qualifications, which have varying requirements for registered capital, specialized technical personnel, technical equipment in their possession and achievements in construction projects completed and may only be permitted to contract for those construction works that fall within the scope permitted by its qualification class. According to Article 23 of the Provisions on the Administration of the Qualifications of Construction Enterprises, the relevant government authorities shall not grant the Premium Class Certificate to applicants who have had two or more general accidents in the past year.

Specialized technical personnel engaging in building operations shall obtain corresponding qualification certificates for operations in accordance with PRC law and engage in building operations within the scope permitted by the qualification certificates.

#### ***Qualifications for construction contracting***

The Construction Law of the PRC, Provisions on the Administration of the Qualifications of Construction Enterprises, Qualification Standards of Construction Enterprises, issued on November 6, 2014 and effective on January 1, 2015, and as amended on November 11, 2016, the Premium Class Standards, the Implementing Measures of Premium Class Qualification Standards for General Construction Contractors, issued and effective on November 30, 2010 and amended on November 9, 2015, the Construction Enterprise Qualification Management Regulations and the Implementation of Quality Standards, issued on January 31, 2015 and effective on March 1, 2015, and as amended on October 20, 2016, December 22, 2018 and January 16, 2020, the Qualification Standards of Construction Labor Subcontracting Enterprises, issued and effective on March 8, 2001, together with other regulations stipulate the application requirements and the scope of contracting of construction enterprises.

Construction enterprises shall comply with the aforesaid regulations and apply for relevant qualifications accordingly to engage in the construction contracting business. Qualifications for construction enterprises are categorized into three groups, namely, general construction contracting, specialized subcontracting and labor subcontracting. The general construction contracting qualification is divided into four classes, namely, the premium class, the first class, the second class and the third class. The specialized subcontracting qualification is divided into three classes, namely, the first class, the second class and the third class.

The Qualification Standards of Construction Enterprises sets forth detailed provisions on the requirements for each type and class of qualification mentioned above and the premium class qualification standards are prescribed separately in the Premium Class Standards.

Enterprises holding the Premium Class Certificate may undertake all grades of general contracting for construction and design and carry out the business of general contracting for engineering and project management in accordance with the scope of the qualification.

Enterprises holding the qualification for general construction contracting work may undertake construction project management services in accordance with the scope of the qualification. Such enterprises may undertake all aspects of the construction works themselves, or subcontract non-essential construction works to subcontracting enterprises. Such enterprises may also hire labor subcontracting agents to carry out the construction work. Construction work should be subcontracted to subcontracting enterprises with relevant qualifications, and labor work should be subcontracted to labor subcontracting agents with relevant qualifications.

Enterprises holding subcontracting certificates may undertake projects subcontracted from a general construction contractor in compliance with relevant regulations. An enterprise that has obtained subcontracting certifications should undertake the entire subcontracting project itself but a subcontracting enterprise may subcontract any labor work to labor subcontracting agents with relevant qualifications in accordance with relevant PRC laws and regulations.

If the construction enterprise needs to continue to use qualification certificates after the period of validity expires, an application for renewal shall be made within three months before the expiration.

#### *Qualifications for construction design and survey*

Pursuant to the Regulations on the Administration of Survey and Design of Construction Projects, issued on September 25, 2000 and amended and newly effective on October 7, 2017, and the Provisions on the Administration of Qualifications for Survey and Design of Construction Projects, issued on June 26, 2007 and amended and newly effective on December 22, 2018, the PRC government has implemented a system of qualification administration for enterprises engaged in construction survey and design. Enterprises engaged in construction survey and design shall apply for certifications based on a number of criteria, including their registered capital, professional and technical such as personnel, technical equipment and achievements of survey and design before they undertake construction survey and design activities. According to Article 23 of the Provisions on the Administration of the Qualifications of Construction Enterprises, the relevant government authorities shall not grant the Engineering Design Certificate to applicants who have had two or more general accidents in the past year.

Construction design certifications are classified into four types and four grades. The four types are comprehensive construction design certifications, industry-specific construction design certifications, specialty construction design certifications, and specific construction design certifications. The four grades are Grades A, B, C and D. Grade A is the only level for the comprehensive construction design certification. Industry-specific construction design certifications, specialty construction design certifications and specific construction design certifications are generally categorized into Grade A and Grade B. Depending on the nature and technical

characteristics of the relevant construction engineering projects, there may be an additional Grade C category for certain industry-specific and specialty construction design certifications, and an additional Grade C and D category for specific construction design certifications.

The scope of work that enterprises are allowed to provide depends on the specific type and grade of their certificates:

- (i) An enterprise with the Grade A comprehensive construction design certificate may provide construction design services for all types of construction projects;
- (ii) An enterprise with the industry-specific construction design certificate may provide construction design services within the scope of the qualifications grade and related specialty and specific construction design services (other than those requiring integrated design and construction certifications) in the relevant industry and of the same grade;
- (iii) An enterprise with the specialty construction design certificate may provide construction design services within the relevant specialty of a corresponding qualifications grade and related specific construction design business (other than those requiring integrated design and construction certifications) of the same grade; and
- (iv) An enterprise with the specific construction design certificate may provide specific construction design services of a corresponding qualifications grade.

The Qualification Standards of Construction Design, issued and effective on March 29, 2007, sets forth detailed provisions on application requirements of each type and grade mentioned above.

Pursuant to the Provisions on the Administration of Qualifications for Survey and Design of Construction Projects, an enterprise shall submit an application to the original licensing department for renewal of registration within 60 days before the expiration date. The renewal process is based on various factors, including whether the company has complied with relevant laws, regulations and technical standards during the validity period, has poor credit history, and has met the standard for registered capital, professional and technical staff. The period of validity for the renewal qualification shall be five years.

### ***Bids***

According to the Construction Law of the PRC and the Tender and Bidding Law of the PRC, issued on August 30, 1999 and amended and newly effective on December 28, 2017, certain large-scale infrastructure and public works projects relating to social and public welfare and safety within the PRC, including the survey, design, engineering and supervision of such projects, as well as the procurement of major equipment and materials regarding engineering and construction, shall be subject to bidding. The bid winner may, according to the provisions of the contract or the consent of the project owner, subcontract non-vital parts of the project.

The Provisions on the Construction Projects Required for Bidding (《必須招標的工程項目規定》), issued on March 27, 2018 and effective on June 1, 2018, provides the specific requirements for bidding. For example, for certain categories of construction projects stipulated in the aforesaid provision, any single construction contract with an estimated price of more than RMB4 million, any single procurement contract of important equipment, materials and other goods with an estimated price of more than RMB2 million, or any single procurement contract of survey, design, supervision and other services with an estimated price of more than RMB1 million, shall be subject to bidding. The Provisions on Tender and Bidding of Survey and Design of Construction Project, issued on June 12, 2003, amended on March 11, 2013 and newly effective on May 1, 2013, the Provisions on Tender and Bidding of Construction Projects, issued on March 8, 2003, amended on March 11, 2013 and newly effective on May 1, 2013, the Regulation on the Implementation of the Tender and Bidding Law of the PRC, issued on December 20, 2011, amended on March 1, 2017 and March 2, 2019, and effective on March 2, 2019, and relevant specific provisions specify the requirements and procedures for bidding.

### ***Construction Safety***

The Work Safety Law of the PRC, issued on June 29, 2002, last amended on June 10, 2021 and newly effective on September 1, 2021, provides that a production enterprise must meet the national legal standards or industry standards on work safety and provide work conditions set out in relevant laws, administrative rules and national or industry standards. An entity that cannot provide required work conditions may not engage in

production activities. The designers and the design firms for the safety facilities of a construction project are liable for their designs. A production enterprise must present prominent warning signs at relevant dangerous operation sites, facilities and equipment.

According to the Regulations on the Administration of Work Safety of Construction Projects, issued on November 24, 2003 and effective on February 1, 2004, an enterprise responsible for the work safety of a construction project shall assume the liabilities of the work safety of the construction project. In the case of a project covered by a main contract, the general contractor will be liable for the general work safety of the construction site and assume joint and several liabilities for the sub-contracted portions of the project together with the sub-contractors. A construction enterprise must purchase accidental injury insurance for the workers engaged in dangerous works on the construction site for injuries suffered in work-related accidents, and the insurance premium will be paid by the construction entity. In the case of a construction work covered by a main contract, the insurance premium will be paid by the general contractor. The period covered by the insurance policies should commence on the start date of the construction project and terminate on the date of the inspection and acceptance upon the completion of the project.

According to the Regulations on the Administration of Work Safety of Construction Projects, the competent construction administrations under the PRC government at the county level or above shall carry out supervision and administration of work safety of the construction projects within the relevant administrative areas.

### ***Work Safety Accidents Regulations***

Pursuant to the Regulations on the Reporting, Investigation and Handling of Work Safety Accidents (the “Accident Regulation”) promulgated by the State Council on April 9, 2007 and effective on June 1, 2007, work safety accidents that cause personal injuries or deaths or direct economic losses shall be generally categorized as follows:

- (i) Particularly significant accidents shall refer to accidents that cause more than 30 deaths, or serious injuries of more than 100 people (including acute industrial poisoning, hereinafter the same), or direct economic losses of more than RMB100 million;
- (ii) Significant accidents shall refer to accidents that cause more than ten deaths but less than 30 deaths, or serious injuries of more than 50 people but less than 100 people, or direct economic losses of more than RMB50 million but less than RMB100 million;
- (iii) Relatively significant accidents shall refer to accidents that cause more than three deaths but less than ten deaths, or serious injuries of more than ten people but less than 50 people, or direct economic losses of more than RMB10 million but less than RMB50 million; and
- (iv) General accidents shall refer to accidents that cause less than three deaths, or serious injuries of less than ten people, or direct economic losses of less than RMB10 million.

### ***Work Safety Permits***

Pursuant to the Work Safety Law of the PRC, the Regulation on the Work Safety Permits, the Regulation on the Administration of Work Safety of Construction Projects, and the Provisions on the Administration of Construction Enterprises’ Work Safety Permits, issued on July 5, 2004 and amended and newly effective on January 22, 2015, and other relevant laws and regulations, constructing enterprises shall be subject to the work safety permit system implemented by the PRC government and apply for a Work Safety Permit. Before undertaking any construction activity, a construction enterprise shall file an application to the competent department of construction at or above the provincial level for obtaining a work safety license. Without work safety permits, construction enterprises shall not engage in construction activities.

The competent department of construction shall, when making examination and issuing a construction license, examine whether the construction enterprise has obtained a work safety license. If the enterprise failed to obtain a work safety license, it shall not be issued a construction license.

If a construction enterprise suffers any major safety accidents, its work safety permit will be suspended temporarily and it shall make rectification within a prescribed time.

### ***Accident Prevention***

In order to ensure construction safety and prevent accidents, the MOC introduced the Provisions on the Falling Substance Accident Prevention of the Construction Projects, issued and effective on April 17, 2003, where it sets out strict rules on staff and equipment requirements for height operation under a strict liability regime.

Pursuant to the Provisions on Collapse Prevention of Construction Projects, issued and effective on April 17, 2003, in order to prevent accidents and ensure construction safety, the unit engaged in engineering construction, reconstruction, expansion and other activities is required to prepare the construction plan, which should be strictly based on the geological conditions, construction technologies, working conditions and the surrounding environment.

### ***Safety Training and Labor Protection***

The Interim Measures of Construction Workers Using Personal Protective Equipment, issued and effective on November 5, 2007, provides strict rules on the construction site and the use and management of the personal safety equipment.

### ***Quality Control***

The Administrative Regulations on the Quality Management of Construction Engineering provides that enterprises that develop a project or undertake the survey, design, construction or supervision work of the project are responsible for the quality control of the project. All construction activities must be conducted in strict compliance with basic construction procedures and in the order of survey, design and then construction. The quality warranty system shall be applied to construction projects. If any quality issues of the construction project arise within the warranty period, the construction enterprise shall perform the warranty obligations and compensate for any losses incurred thereof. The PRC government implemented a quality supervision and administration system for construction projects. The relevant construction administrative authorities of the State Council are responsible for the overall supervision and administration of the quality of construction projects in the PRC. The competent authorities of the State Council, such as the Ministry of Railways, the Ministry of Transport and the Ministry of Water Resources shall be responsible for the supervision and administration of the quality of professional construction projects in the PRC. A survey enterprise shall conduct surveying in accordance with the relevant PRC laws and regulations regarding the quality of construction projects, the mandatory standards for project construction, and the relevant surveying contract and shall be responsible for the quality of its survey.

### ***Project Price***

The Provisional Regulations on Construction Project management for Contracting Price, issued and effective on January 5, 1999, the Pricing Management Approach of Contracting of Construction Projects, issued on December 11, 2013 and effective on February 1, 2014, and the Interim Measures for Settling Construction Price, issued and effective on October 20, 2004, sets forth the construction cost, pricing, valuation methods, the time of payment and dispute resolution methods of the construction projects.

### ***Inspection and Acceptance of Construction Projects***

Pursuant to the Rules of As-built Inspection of Housing, Building and Municipal Infrastructure Projects, issued and effective on December 2, 2013, after completing the project, an inspection team comprising design, survey, construction, supervision units should be established. Each unit is required to report the compliance status of engineering contracts, the implementation of laws, regulations and mandatory standards for construction in various aspects of the construction.

Pursuant to the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects, issued and effective on October 19, 2009, the filing of the as-built inspection of various housing, building and municipal infrastructure projects, including new building, expansion and rebuilding projects, within the territory of the PRC shall be governed by the measures. A construction entity shall, in accordance with the measures, go through the filing formalities with the construction administrative department of the people's government at or above the county level at the place where the project is located within 15 days as of the date on which the as-built inspection of the project is passed.

## ***Administration of Environmental Protection of Construction Projects***

A construction enterprise shall adopt measures to control environmental pollution and damage caused by dust, waste gas, sewage, solid waste, noise and vibration at the construction site in accordance with the laws and regulations on environmental protection and work safety. The PRC government implemented an environmental impact evaluation system for construction projects.

Pursuant to the Environmental Protection Law of the PRC, issued on December 26, 1989, last amended on April 24, 2014 and newly effective on January 1, 2015, units that cause environmental pollution and other public nuisances shall adopt effective measures to avoid and control the pollution and damage caused to the environment. Pollution prevention facilities in construction projects shall be designed, built and put into operation together with the main part of the project. Enterprises and institutions discharging pollutants shall report to and register with the relevant authorities in accordance with the provisions of the environmental protection authority under the State Council. According to the currently effective Environmental Protection Law of the PRC, the administrative authorities of environmental protection will record wrongful acts in the social credit history and timely disclose information. In addition, a company that breaches relevant rules to discharge pollutants shall be fined and ordered to take correction measures. If the company refuses, the competent authority may continuously impose fine for each day the violation remains uncorrected based on the original fine from the next day after making the decision.

Pursuant to the Environmental Impact Assessment Law of the PRC, issued on October 28, 2002, amended on July 2, 2016 and December 29, 2018, and effective on December 29, 2018, the PRC government sets up a system to appraise the environmental impact of construction projects, classify and administer the environmental impact appraisals in accordance with the degree of environmental impact.

## **Other Laws and Regulations**

### ***Labor Laws and Regulations***

Pursuant to the Labor Law of the PRC, issued on July 5, 1994 and amended and newly effective on August 27, 2009 and December 29, 2018 respectively, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, prevent work-related accidents and reduce occupational hazards. Companies must also pay for their employees' social insurance premium.

#### ***Labor contract***

Pursuant to the Labor Contracts Law of the PRC, issued on June 29, 2007, amended on December 28, 2012 and newly effective on July 1, 2013, employers shall establish employment relationships with employees on the date that they start working. To establish employment relationship, a written employment contract shall be concluded, or employers will be liable for the illegal action. Furthermore, the probation period and liquidated damages shall be restricted by law to safeguard employees' rights and interests.

#### ***Social security and housing provident fund***

As required under the Regulation of Insurance for Work-Related Injury, issued on April 27, 2003, amended on December 20, 2010 and newly effective on January 1, 2011, the Provisional Measures on Insurance for Maternity of Employees, issued on December 14, 1994 and effective on January 1, 1995, the Social Insurance Law of the People's Republic of China, issued on October 28, 2010 and effective on July 1, 2011 and as amended on December 29, 2018, and the Regulation on Administration of Housing Provident Funds, issued on April 3, 1999 and amended and newly effective on March 24, 2002 and March 24, 2019, respectively, enterprises in China are obligated to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing provident funds.

## ***Laws and Regulations Relating to Intellectual Property Protection***

### ***Trademark law***

Pursuant to the Trademark Law of the PRC, issued on August 23, 1982, last amended on 23 April 2019 and effective on November 1, 2019, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years from the day the registration is approved. According

to the Trademark Law of the PRC, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, cease the infringement, take remedial action, and pay damages.

#### *Patent law*

Pursuant to the Patent Law of the PRC, issued on March 12, 1984, last amended on October 17, 2020, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law of the PRC, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. After a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, cease the infringement, take remedial action, and pay damages.

#### *Civil Code*

Pursuant to the Civil Code of the PRC promulgated on May 28, 2020 and effective on January 1, 2021, the parties may terminate a contract pursuant to terms set forth in the contract or pursuant to mutual agreement. In addition, the parties to a contract may terminate the contract under any of the following circumstances:

- (i) it is rendered impossible to achieve the purpose of contract due to an event of force majeure;
- (ii) prior to the expiration of the period of performance, the other party expressly states, or indicates through its conduct, that it will not perform its main obligation;
- (iii) the other party delayed performance of its main obligation after such performance has been demanded and fails to perform within a reasonable period;
- (iv) the other party delays performance of its obligations, or breaches the contract in some other manner, rendering it impossible to achieve the purpose of the contract; or
- (v) other circumstance as provided by the law.

#### ***Regulations relating to Public-Private Partnership (PPP)***

The principal rules of PPP projects include the Guiding Opinion on Carrying Out the Public-Private Partnership of the NDRC, issued and effective on December 2, 2014, the Notice on Implementing Demonstration Project of the Public-Private Partnership, issued and effective on November 30, 2014, and the Notice on Extending the Models of the Public-Private Partnership, issued and effective on September 23, 2014.

Pursuant to the Operation Guide for Modes of the Public-Private Partnership (Trial), infrastructure and public service projects, which have large-scale investments, long-term steady demands, flexible price adjustment mechanisms and high marketization degrees, may apply the modes of PPP.

As for the risk allocation between the public entity and the private entity, it should be in accordance with the principle of optimizing risk allocation and balancing the risk-return and risk control. It should also consider the risk management capability of the government, the return mechanisms of projects and market risk management capability. Generally, the private entity is liable for commercial risks of project-designing, project-building, financial affairs and O&M (Operation and Maintenance); the public entity is liable for risks of laws, policies and minimum requirements; the force majeure risk should be reasonably distributed to the public entity and the private entity.

Modes of PPP project operation include Operations and Maintenance (O&M), Management Contract (MC), Build-Operate-Transfer (BOT), Build-Own-Operate (BOO), Transfer-Operate-Transfer (TOT), and Rehabilitate-Operate-Transfer (ROT).

Regulatory approaches of PPP include performance management, administrative supervision and public supervision.

## 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 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 and amended on May 19, 2004, 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 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布《外債登記管理辦法》的通知), which became effective on May 13, 2013 and amended on May 4, 2015 and includes three appendices: (i) Administrative Measures on Foreign Debt Registration, (ii) Operating Guidelines for Foreign Debt Registration Administration, and (iii) List of Repealed Regulations. The measures stipulate the general provisions on foreign debt registration, administrative provisions on foreign debt account management, use and settlement of foreign debt funds, foreign guarantee for domestic loans, foreign exchange managements for outbound transfer of non-performing assets, as well as relevant penalty provisions. The Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引) 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 the 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 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) that 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 Circular 2044 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), amended on October 10, 2018 and December 30, 2019, 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 “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 and amended on October 10,



2018 and 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; (iii) simplifying the procedures for remitting profits offshore by domestic enterprises.

## MANAGEMENT

### DIRECTORS

The board of directors of our Company consists of 11 members, including a chairman, six directors and four independent directors. Each director has a term of three years, which may be extended for another term upon re-election and re-appointment.

The board of directors determines major matters of our Company, such as annual business plans, investment plans, financial budget plans and profit distribution plans. The board of directors has the authority to appoint and discharge the general manager and the board secretary of our Company, to appoint and discharge the deputy general managers and other senior management according to the nomination of the general manager, and to decide their remuneration package. The board of directors reports to the shareholders of our Company.

The following table sets forth our Company's directors as of the date of this exchange offer memorandum:

Name	Age	Position
Mr. Chen Jinshi (陳錦石) .....	60	Chairman of the board of directors
Ms. Chen Yuhan (陳昱含) .....	37	Director and general manager
Mr. Xin Qi (辛琦) .....	46	Director, chief financial officer and deputy general manager
Mr. Tang Xiaodong (唐曉東) .....	46	Director
Mr. Hu Hongwei (胡紅衛) .....	55	Director and deputy general manager
Mr. Cao Yongzhong (曹永忠) .....	53	Director
Mr. Shi Jinhua (施錦華) .....	44	Director
Mr. Huang Feng (黃峰) .....	52	Independent director
Mr. Cao Yitang (曹益堂) .....	46	Independent director
Mr. Shi Jun (石軍) .....	50	Independent director
Mr. Hou Qicai (侯其財) .....	57	Independent director

**Mr. Chen Jinshi (陳錦石)**, aged 60, has been the chairman of the board of directors of our Company since October 1996. Mr. Chen is the founder of our Group. He currently also serves as the chairman of the board of directors of Zhongnan Holdings Group Co., Ltd. (中南控股集團有限公司) and of Zhongnan Urban Construction Investment Co., Ltd. (中南城市建設投資有限公司), the vice chairman of the 7th Industry Association of the China Real Estate Association (中國房地產業協會產業協作會), a deputy to the 13th NPC, and a part-time professor in Southeast University (東南大學). He previously served as the general manager of our company. Mr. Chen obtained his EMBA degree from Fudan University (復旦大學) in 2006 and his DBA degree from City University of Hong Kong (香港城市大學) in 2019. He is a senior engineer.

**Ms. Chen Yuhan (陳昱含)**, aged 37, joined our Group in 2009 and has been a director of our Company since August 2010 and the general manager of our Company since April 2021. She currently also serves as the vice chairman of the board of directors of Zhongnan Holdings Group Co., Ltd. (中南控股集團有限公司). She previously served as the chairman of the board of directors of Zhongnan Wujiang Real Estate Co., Ltd. (中南吳江房地產公司) and Zhongnan Commercial Hotel Management Co., Ltd. (中南商業酒店管理公司) from August 2011 to February 2016, and a deputy general manager of our Company from April 2018 to April 2021. Ms. Chen obtained her bachelor's degree in business administration from University of Technology Sydney (悉尼科技大學) in 2008. Ms. Chen Yuhan (陳昱含) is the daughter of Mr. Chen Jinshi (陳錦石), the chairman of our board of directors.

**Mr. Xin Qi (辛琦)**, aged 46, joined our Group in 2017 and has been a director, the chief financial officer and a deputy general manager of our Company since May 2018, April 2019 and April 2018, respectively. He currently also serves as the vice chairman of the board of directors of Zhongnan Holdings Group Co., Ltd. (中南控股集團有限公司). He previously served as the chief financial officer of China Overseas Development (Shanghai) Co., Ltd. (中海發展(上海)有限公司) from September 2010 to September 2012, and the chief financial officer of Sunshine City Group Co., Ltd. (陽光城集團股份有限公司) from September 2012 to

February 2017. Mr. Xin obtained his master's degree in business administration from Arizona State University (亞利桑那州立大學) in 2011 and is a certified public accountant.

**Mr. Tang Xiaodong (唐曉東)**, aged 46, joined our Group in 2009 and has been a director of our Company since June 2020. He currently also serves as an investment vice president of our property development segment branded as Zoina Land (中南置地). He previously served as an assistant to chairman of Zhongnan Holdings Group Co., Ltd. (中南控股集團有限公司) from February 2004 to December 2008. Mr. Tang obtained his EMBA degree from Fudan University (復旦大學) in 2015.

**Mr. Hu Hongwei (胡紅衛)**, aged 55, joined our Group in 2009 and has been a director and a deputy general manager of our Company since June 2020. He currently also serves as the president of our building construction business. He previously served as a project manager of Nantong Zhongnan Construction Engineering Co., Ltd. (南通市中南建築工程有限公司) and its predecessor from May 1996 to September 2009 and the president of Jiangsu Zhongnan Construction Industry Group Co., Ltd. (江蘇中南建築產業集團有限責任公司) from July 2014 to September 2019. Mr. Hu obtained his EMBA degree from Fudan University (復旦大學) in 2017 and is a senior engineer.

**Mr. Cao Yongzhong (曹永忠)**, aged 53, joined our Group in 2004 and has been a director of our Company since November 2021. He joined Zhongnan Holdings Group Co., Ltd. (中南控股集團有限公司) in 2004. He currently also serves as a senior vice president of Zhongnan Holdings Group Co., Ltd. Mr. Cao obtained his master's degree.

**Mr. Shi Jinhua (施錦華)**, aged 44, joined our Group in 1997 and has been a director of our Company since November 2021. He joined Zhongnan Holdings Group Co., Ltd. (中南控股集團有限公司) in 1997. He currently also serves as a senior vice president of Zhongnan Holdings Group Co., Ltd. Mr. Shi obtained his EMBA degree from Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University (上海交通大學上海高級金融管理學院) in 2016.

**Mr. Huang Feng (黃峰)**, aged 52, joined our Group in 2016 and has been an independent director of our Company since April 2016. He currently also serves as a partner of Zhongxingcai Guanghua Certified Public Accountants LLP (中興財光華會計師事務所(特殊普通合夥)), an independent director of China TransInfo Technology Co., Ltd (北京千方科技股份有限公司) and Shanghai Zhongyida Co., Ltd. (上海中毅達股份有限公司). He previously served as a clerk of Beijing No. 1 Municipal Construction Engineering Co., Ltd. (北京市政一建設工程有限責任公司) from 1992 to 1993, and a clerk and deputy chief of the Beijing Chongwen District Branch of Bank of China (中國銀行北京崇文區支行) from October 1993 to January 1999. He also previously worked for Beijing Jingdu Certified Public Accountants (北京京都會計師事務所) from 1998 to 2007 as a senior auditor, project manager and department manager. He also previously served as a partner of Beijing Zhongqiheng Certified Public Accountants (北京中啟恒會計師事務所) from April 2008 to September 2008, and an independent director of Tibet Guo Ce Environmental Co., Ltd (西藏國策環保科技股份有限公司) from September 2014 to April 2018, and a partner of Ruihua Certified Public Accountants (瑞華會計師事務所) from August 2008 to December 2019. Mr. Huang obtained his bachelor's degree in sociology and his master's degree in finance from Renmin University of China (中國人民大學) in 1992 and 2011, respectively. He is a certified public accountant and a certified tax agent.

**Mr. Cao Yitang (曹益堂)**, aged 46, joined our Group in 2017 and has been an independent director of our Company since May 2017. He currently also serves as an independent director of Zhejiang Red Dragonfly Footware Co., Ltd. (浙江紅蜻蜓鞋業股份有限公司) and Guangzhou Dikeni Fashion Co., Ltd. (廣州迪柯尼服飾股份有限公司), and a partner of Shanghai DealGlobe Private Equity Fund Management Co., Ltd. (上海易界私募基金管理有限公司). Mr. Cao previously served as the head of strategic development department of Metersbonwe Group (美特斯邦威集團) from March 2004 to May 2007, the officer-in-charge of investment department of Debang Securities Co., Ltd. (德邦證券有限公司) from May 2007 to August 2009, the director of strategy management centre of Joeone Clothing Co., Ltd. (九牧王服飾有限公司) from August 2009 to March 2010, the general manager of Zbejiang Lihao Furniture Co., Ltd. (浙江利豪傢俱有限公司) from March 2010 to September 2011, a partner of the Shanghai Jinshiyuan Hehui Equity Investment Management Partnership (Limited Partnership) (上海金石源和薈股權投資管理合夥企業(有限合夥)) from October 2011 to June 2015, an independent director of V Grass Fashion Co., Ltd (維格娜絲時裝股份有限公司) from August 2012 to August

2018, the managing director of Shanghai Touzhong Asset Management Co., Ltd. (上海投中資產管理有限公司) from July 2017 to July 2018, and a deputy general manager and the board secretary of Hangzhou Xpower Technology Co., Ltd. (杭州小電科技股份有限公司) from October 2020 to October 2021. Mr. Cao obtained his bachelor's degrees in industrial trade and mechanical engineering from Shanghai Jiao Tong University (上海交通大學) in 1998 and his master's degree in industrial economics from Fudan University (復旦大學) in 2001.

**Mr. Shi Jun (石軍)**, aged 50, joined our Group in 2020 and has been an independent director of our Company since June 2020. He currently also serves as a managing director of CICC Capital Management Co., Ltd. (中金資本運營有限公司). He previously worked for China National Investment & Guaranty Co., Ltd. (中國投資擔保有限公司) and its predecessor from 1996 to 2012 as a business manager, department deputy general manager and general manager, and the head of a center. He also previously served as the chief executive officer and president of China National Investment & Guaranty Corporation (中國投融資擔保股份有限公司) from 2012 to 2019, the chairman of the board of directors of I&G Enriching Asset Management (Beijing) Co., Ltd. (中投保信裕資產管理(北京)有限公司) from 2014 to 2019, the chairman of the board of directors of Zhong Yu Capital (Beijing) Asset Management Co., Ltd. (中裕睿信(北京)資產管理有限公司) from 2015 to 2019, a director and the chairman of the board of directors of Zhejiang Internet Financial Asset Trading Center Co., Ltd. (浙江互聯網金融資產交易中心股份有限公司) from 2015 to 2019, and a director of China International Capital Corporation Limited (中國國際金融股份有限公司) from 2013 to 2020. Mr. Shi obtained his master's degree in business administration from Tsinghua University (清華大學) in 2008 and his EMBA degree from China Europe International Business School (中歐國際商學院) in 2014. He is a chartered financial analyst (CFA) and a lawyer.

**Mr. Hou Qicai (侯其財)**, aged 57, joined our Group in 2021 and has been an independent director of our Company since May 2021. He currently also serves as the general manager of BE Financial Service (Beijing) Investment Holdings Limited (北控金服(北京)投資控股有限公司). He previously served as an assistant to the general manager, chief financial officer and a deputy general manager of Shenzhen Securities Business Department of China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), the director of investment banking of Everbright Securities Company Limited (光大證券股份有限公司), a deputy general manager of China Everbright Real Estate Development Limited (中國光大房地產開發有限公司) and the president of AJ Securities (愛建證券). Mr. Hou obtained his bachelor's degree from Nankai University (南開大學) in 1987 and his master's degree from Nankai University in 1990. He is a certified public accountant.

## SUPERVISORS

The board of supervisors of our Company consists of three members, including a chairman and one employee supervisor who are elected by and among the employees of the Group. Each supervisor has a term of three years, which may be extended for another term upon re-election and re-appointment.

The board of supervisors reviews our Company's periodic reports, monitors our Company's financial affairs and supervises the conduct of the directors and other senior management.

The following table sets forth our Company's board of supervisors as of the date of this exchange offer memorandum:

Name	Age	Position
Mr. Qian Jun (錢軍) .....	45	Chairman of the board of supervisors
Mr. Zhang Jianbing (張劍兵) .....	61	Supervisor
Ms. Zhao Guixiang (趙桂香) .....	46	Supervisor

**Mr. Qian Jun (錢軍)**, aged 45, joined our Group in 1999 and has been the chairman of the board of supervisors of our Company since May 2018. He currently also serves as the chairman of the board of supervisors of Zhongnan Holdings Group Co., Ltd. (中南控股集團有限公司). He previously served as the chief financial officer of Jiangsu Zhongnan Construction Industry Group Co., Ltd. (江蘇中南建築產業集團有限責任公司) from May 2011 to April 2015, a director and the chief financial officer of our Company from May 2017 to May 2018 and April 2015 to April 2018, respectively, a director and senior deputy general manager of Zhongnan Holdings Group Co., Ltd. (中南控股集團有限公司) from April 2015 to April 2018. Mr. Qian obtained his EMBA degree from Fudan University (復旦大學) in 2010.

**Mr. Zhang Jianbing (張劍兵)**, aged 61, joined our Group in 2014 and has been the supervisor of our Company since May 2017. He also currently serves as the vice chairman of the board of supervisors of Zhongnan Holdings Group Co., Ltd. (中南控股集團有限公司). He previously served as the chief of the police main team and deputy director of Haimen Public Security Bureau (海門公安局) from June 1998 to August 2006 and a team leader of a police team of Nantong Public Security Bureau (南通市公安局) from August 2006 to July 2014. Mr. Zhang obtained his bachelor's degree in law from Central Party School (中央黨校) in 2001.

**Ms. Zhao Guixiang (趙桂香)**, aged 46, joined our Group in 1995 and has been the supervisor of our Company since May 2017. She previously served as the executive vice chairwoman of the board of supervisors of Zhongnan Holdings Group Co., Ltd. (中南控股集團有限公司) from January 2016 to January 2019. Ms. Zhao obtained her EMBA degree from Fudan University (復旦大學) in 2013.

## SENIOR MANAGEMENT

Our Company's senior management currently consists of the general manager, two deputy general managers, the chief financial officer and the Board secretary. The general manager is appointed by the board of directors and has a term of three years, which may be extended for another term upon reappointment. The general manager is primarily responsible for management of our Company and reporting to the board of directors, implementation of the decisions of the board of directors and the establishment of our Company's basic management system and company regulations.

The following table sets forth our Company's senior management as of the date of this exchange offer memorandum:

Name	Age	Position
Ms. Chen Yuhan (陳昱含) .....	37	Director and general manager
Mr. Xin Qi (辛琦) .....	46	Director, chief financial officer and deputy general manager
Mr. Hu Hongwei (胡紅衛) .....	55	Director and deputy general manager
Mr. Liang Jie (梁潔) .....	45	Board secretary

For the biographies of Ms. Chen Yuhan (陳昱含), Mr. Xin Qi (辛琦) and Mr. Hu Hongwei (胡紅衛), see "Directors" above.

**Mr. Liang Jie (梁潔)**, aged 45, joined our Group in 2018 and has been the board secretary of our Company since June 2018. He previously served as a securities affairs representative of China Vanke Co., Ltd. (萬科企業股份有限公司) from June 2005 to June 2018. Mr. Liang obtained his bachelor's degrees in urban and environmental sciences and computer science from Peking University (北京大學) in 1999 and his master's degree in human geography from Peking University (北京大學) in 2002.

## CORPORATE GOVERNANCE

We believe we have implemented a sound and efficient corporate governance structure. Our board of directors, board of supervisors and the internal governance bodies operate collegially while independently. We have established a multi-tiered management structure comprising the shareholders, the board of supervisors, the board of directors, four board committees, the general manager, the deputy general managers and 17 departments.

The primary duties of our four board committees are set forth as follows:

- Audit Committee (審計委員會) consists of three directors, two among whom are independent directors. It is primarily responsible for reviewing the periodic financial reports and internal control reports of our Company, as well as determining the external auditors of our Group.
- Remuneration and Appraisal Committee (薪酬與考核委員會) consists of three directors, two among whom are independent directors. It is primarily responsible for conducting annual performance appraisal on our directors and senior management, as well as reviewing the remuneration of our directors, supervisors and senior management.

- Nomination Committee（提名委員會）consists of three directors, two among whom are independent directors. It is primarily responsible for reviewing and approving the nomination of our proposed directors, senior management and board secretary.
- Strategic Committee（戰略委員會）consists of three directors. It is primarily responsible for studying the government policies related to our industries and analysing the industrial trends, as well as determining the business plans and development strategies of our Company.

## PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding beneficial ownership and shareholding information of the Company's ordinary shares as of December 31, 2021 by (i) the Company's directors, supervisors and senior management and (ii) each person known to the Company to hold or beneficially own 5% or more of the Company's outstanding shares other than its directors, supervisors and senior management:

Name of Shareholders or Beneficial Owners	Number of Shares Held or Beneficially Owned	Approximate percentage of the issued share capital of the Company (%)
<b>(i) Directors, supervisors and senior management</b>		
Mr. Chen Jinshi (陳錦石) <sup>(1)</sup> .....	2,071,061,687	54.12%
Ms. Chen Yuhan (陳昱含) <sup>(2)</sup> .....	14,413,997	0.38%
Mr. Xin Qi (辛琦) <sup>(3)</sup> .....	2,984,900	0.08%
Mr. Tang Xiaodong (唐曉東) <sup>(3)</sup> .....	233,077	0.006%
Mr. Hu Hongwei (胡紅衛) <sup>(3)</sup> .....	1,180,000	0.03%
Ms. Zhao Guixiang (趙桂香) <sup>(3)</sup> .....	141,700	0.004%
Mr. Liang Jie (梁潔) <sup>(3)</sup> .....	1,204,300	0.03%
<b>(ii) Greater than 5% Shareholders or Beneficial Owners</b>		
Zhongnan Urban Construction Investment Co., Ltd. (中南城市建設投資有限公司) .....	2,071,061,687	54.12%

*Notes:*

- (1) Mr. Chen Jinshi, our chairman, held, through indirect shareholding and together with his immediate family members through acting-in-concert arrangement, namely Ms. Lu Yaxing (his spouse) and Ms. Chen Yuhan (his daughter), 33.87% of our issued share capital and was the Company's de facto controller through his control over Zhongnan Urban Construction Investment Co., Ltd. (中南城市建設投資有限公司), which directly held 54.12% of our issued share capital as of December 31, 2021. As of the same date, Ms. Lu Yaxing indirectly held approximately 1.07% of our issued share capital. Mr. Chen Jinshi, directly and through his immediate family members held approximately 62.97% of the issued share capital of Zhongnan Holdings Group Co., Ltd. (中南控股集團有限公司), which held 75.10% of the issued share capital of and was the controlling shareholder of Zhongnan Urban Construction Investment Co., Ltd. (中南城市建設投資有限公司) as of December 31, 2021.
- (2) Ms. Chen Yuhan, our director and general manager, is the daughter of Mr. Chen Jinshi, and is one of the parties acting-in-concert with Mr. Chen Jinshi and Ms. Lu Yaxin in their shareholding of Zhongnan Holdings Group Co., Ltd. (中南控股集團有限公司), which is the controlling shareholder of Zhongnan Urban Construction Investment Co., Ltd. (中南城市建設投資有限公司).
- (3) They held shares of the Company through exercise of their respective share options.

## **RELATED PARTY TRANSACTIONS**

From time to time, we have entered into a number of transactions with our related parties. We believe that each of our related party transactions was entered into in the ordinary course of business on fair and reasonable commercial terms in our interest and the interest of our shareholders as a whole. For further information, see our audited consolidated financial statements as of and for the years ended December 31, 2020 and 2021 incorporated by reference into this exchange offer memorandum.



## DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

We finance our operations primarily through cash generated from operating activities, interest-bearing bank and other borrowings and funds raised from the capital markets such as the issuance of corporate bonds. As of December 31, 2021, we had total indebtedness of approximately RMB62,107.6 million (US\$9,746.0 million). From time to time, we may enter into additional financing agreements in ordinary course of business to fund the capital needs of our operations and expansion and to replenish our working capital. Set forth below is a summary of the material terms and conditions of such material indebtedness and other obligations.

### *Bank Loan Agreements*

We have entered into loan agreements with local branches of various PRC banks and various financial institutions, including but not limited to Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, China Bohai Bank, China CITIC Bank, China Minsheng Bank, Bank of Jiangsu and Ping An Bank. As of December 31, 2021, the aggregate outstanding amount under these loans amounted to approximately RMB33,567 million (US\$5,267.4 million), of which RMB11,071 million (US\$1,737.3 million) would mature within one year. These loans are mainly used to replenish our working capital and facilitate our property development projects.

### *Interest*

The principal amounts outstanding under our PRC bank loans generally bear interest at fixed rates. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

### *Covenants*

Under these loans with PRC banks, many of our subsidiary borrowers have agreed, among other things, not to take including, without limitation, some of the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect their ability to repay their loans;
- granting guarantees to any third parties that may adversely affect their ability to repay their loans;
- making any major changes to their corporate structures, such as entering into joint ventures, mergers, acquisitions and reorganizations;
- altering the nature or scope of their business operations in any material respect;
- transferring part or all of their liabilities under the loans to a third-party;
- prepaying the loans;
- declaring or paying dividends;
- selling or disposing of assets that may adversely affect their ability to repay their loans; and
- incurring other indebtedness that may adversely affect their ability to repay their loans.

### *Events of Default*

The PRC loan agreements with banks contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval and material breach of the terms of the loan agreement. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

## *Guarantee and Security*

Certain of our PRC subsidiaries have entered into guarantee agreements with PRC banks in connection with some of the PRC loans, pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Further, some of these loans are secured by our assets such as fixed assets and equity interests of certain subsidiaries.

## *Onshore Debt Securities*

### *2019 Corporate Bonds*

In November 2019, we issued a total principal amount of RMB1.0 billion of domestic corporate bonds with a tenor of four years as approved by the CSRC (“**19 Zhongnan 03**” (19中南03) or the “**2019 Corporate Bonds**”). The 2019 Corporate Bonds have a coupon rate of 7.60% and will mature on November 22, 2023. The 2019 Corporate Bonds are listed on the SZSE. United Credit Ratings Co., Ltd. (聯合信用評級有限公司) assigned an “AA+” rating to each of the Company and the 2019 Corporate Bonds. We used the proceeds from the issue of the 2019 Corporate Bonds to redeem some of our onshore debt securities.

### *2020 Medium-Term Notes*

On June 22, 2020, we issued a total principal amount of RMB1.2 billion of domestic medium-term notes (“**20 Zhongnan Construction MTN001**” (20中南建設MTN001)) with a tenor of four years. 20 Zhongnan Construction MTN001 has a coupon rate of 7.20% and will mature on June 23, 2024. We used the proceeds from the issue of 20 Zhongnan Construction MTN001 to redeem our domestic medium-term notes titled “15 Zhongnan Construction MTN001 (15中南建設MTN001)”. On August 25, 2020, we issued a total principal amount of RMB1.8 billion of domestic medium-term notes (“**20 Zhongnan Construction MTN002**” (20中南建設MTN002), together with 20 Zhongnan Construction MTN001, the “**2020 Medium-Term Notes**”) with a tenor of four years. 20 Zhongnan Construction MTN002 has a coupon rate of 7.20% and will mature on August 26, 2024. 20 Zhongnan Construction MTN002 was issued in China’s Interbank Bond Market. We used the proceeds from the issue of 20 Zhongnan Construction MTN002 to redeem our domestic medium-term notes titled “15 Zhongnan Construction MTN002 (15中南建設MTN002)”. The 2020 Medium-Term Notes were issued in China’s Interbank Bond Market. Golden Credit Rating assigned an “AA+” rating to each of the Company and the 2020 Medium-Term Notes.

### *2021 Corporate Bonds*

On March 17, 2021, we issued a total principal amount of RMB1.0 billion of domestic corporate bonds titled “21 Zhongnan 01 (21中南01)” as approved by the CSRC. The 2021 Corporate Bonds have a tenor of four years with a coupon rate of 7.30% and will mature on March 17, 2025. The 2021 Corporate Bonds are listed on the SZSE. Golden Credit Rating and Dagong Global Credit Rating Co., Ltd. Assigned an “AA+” rating to each of the Company and the 2021 Corporate Bonds. We plan to use the proceeds from the issue of the 2021 Corporate Bonds to redeem some of our onshore debt securities.

### *2021 Medium-Term Notes*

On July 26, 2021, we issued a total principal amount of RMB1 billion of domestic medium-term notes (“21 Zhongnan Construction MTN001” (21中南建設MTN001)) with a tenor of four years. 21 Zhongnan Construction MTN001 has a coupon rate of 6.80% and will mature on July 26, 2025. We used the proceeds from the issue of 21 Zhongnan Construction MTN001 to redeem our domestic medium-term notes titled “18 Zhongnan Construction MTN001 (18 中南建設MTN001)”. 21 Zhongnan Construction MTN001 was issued in China’s Interbank Bond Market.

## *Offshore Debt Securities*

### *2024 Notes*

On April 7, 2021, we entered into an indenture, pursuant to which the Issuer issued the 2024 Notes in an aggregate principal amount of US\$250.0 million with a coupon rate of 11.50%. The 2024 Notes are unconditionally and irrevocably guaranteed by us and are listed on the HKSE. The 2024 Notes will mature on April 7, 2024. The 2024 Notes in principal amount of US\$190.25 million were issued by the Issuer as part of the exchange consideration of the 2019 Notes validly tendered and accepted for exchange.

### *The Original New Notes*

On June 6, 2022, we entered into an indenture, pursuant to which the Issuer issued the Original New Notes in an aggregate principal amount of US\$157,012,200 with a coupon rate of 12.00%. The Original New Notes are unconditionally and irrevocably guaranteed by us and are listed on the SGX-ST. The Original New Notes will mature on June 5, 2023. The Original New Notes in principal amount of US\$157,012,200 were issued by the Issuer as part of the exchange consideration of the Old Notes validly tendered and accepted for exchange.

## DESCRIPTION OF THE NEW NOTES

For purposes of this “*Description of the New Notes*,” the term “Issuer” refers only to Haimen Zhongnan Investment Development (International) Co., Ltd. and any successor obligor on the Notes, and not to any of its Subsidiaries, and the term “Parent Guarantor” refers only to Jiangsu Zhongnan Construction Group Co., Ltd (江蘇中南建設集團股份有限公司) and not to any of its Subsidiaries. The Parent Guarantor’s guarantee of the Notes is referred to as the “Parent Guarantee.” In this section, unless the context indicates otherwise, all references to the Notes shall be interpreted as references to the New Notes (as defined in this exchange offer memorandum).

The notes to be issued as described in this exchange offer memorandum (the “**Additional New Notes**”) will be issued and constitute Additional Notes under the indenture (the “**Indenture**”) among the Issuer, the Parent Guarantor, and Citicorp International Limited, as trustee (the “**Trustee**”), dated as of June 6, 2022, governing the Issuer’s outstanding US\$157,012,200 12.00% Guaranteed Senior Notes due 2023 issued on the Original Issue Date (the “**Original New Notes**” and, together with the Additional New Notes, the “**New Notes**”). The Additional New Notes are identical in all respects to the Original New Notes, other than with respect to the issue date, issue price, the timing, as elected by the Issuer and the Parent Guarantor, for compliance with post issue filing and the undertakings associated with the registration of the Parent Guarantee with the Nantong branch of the SAFE.

The Additional New Notes will be consolidated and form a single series with the Original New Notes upon later occurrence of the SAFE Completion Event with respect to the Original New Notes and the Additional New Notes. The Additional New Notes will be represented by a temporary global note issued under temporary ISIN and Common Code numbers, which is expected to be replaced by a permanent global note with the same ISIN and Common Code numbers as the Original New Notes upon later occurrence of the SAFE Completion Event with respect to the Original New Notes and the Additional New Notes.

The following is a summary of certain provisions of the Indenture, the Notes and the Parent Guarantee. This summary does not purport to be complete and is subject to and qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Parent Guarantee. It does not restate those documents in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection on or after the Original Issue Date at the corporate trust office of the Trustee at 20<sup>th</sup> Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

### Brief Description of the Issuer

The Issuer:

- is a special-purpose financing vehicle established to issue the Notes; and
- has no operating activities other than acting as issuer of Indebtedness, including the Notes.

The Issuer does not have any operating activities or revenue. See “Risk Factors – Risks Relating to the Notes and the Parent Guarantee – The Issuer is an indirect, wholly owned subsidiary of the Parent Guarantor and currently does not have operating activities or revenue, therefore its ability to make payments under the Notes are dependent upon cash flow from other members of our Group.”

### Brief Description of the Notes

The Notes are:

- general obligations of the Issuer;
- senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);

- guaranteed by the Parent Guarantor on a senior basis, subject to the limitations described below under the caption “– The Parent Guarantee” and in “Risk Factors – Risks Relating to the Notes and the Parent Guarantee”;
- effectively subordinated to the secured obligations (if any) of the Issuer and the Parent Guarantor, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Parent Guarantor’s Subsidiaries (other than the Issuer).

The Notes will mature on June 5, 2023, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 12.00% 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 December 6, 2022 and June 5, 2023 (each an “Interest Payment Date”). Interest on the Notes will be paid to Holders of record at the close of business on November 21, 2022 or May 21, 2023 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. 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 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.

Except as described under “Optional Redemption,” “Redemption for Taxation Reasons” and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Issuer or the Parent Guarantor).

In any case in which the date of the payment of principal of, premium (if any) on or interest on the Notes is not a Business Day in the relevant place of payment, then payment of such 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 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 Additional New Notes will be issued only in fully registered form, without coupons, in denominations of U.S.\$150,000 and integral multiples of U.S.\$1.0 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Issuer at the office or agency of the Issuer maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland), and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, at the option of the Issuer, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note Register maintained by the Note Registrar (as defined below). Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

As of the date of the Indenture, all of the Parent Guarantor’s Subsidiaries will be “Restricted Subsidiaries.” However, under the circumstances described below under the caption “– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries,” the Parent Guarantor will be permitted to designate certain of its Subsidiaries as “Unrestricted Subsidiaries.” The Parent Guarantor’s Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture.

## The Parent Guarantee

The Parent Guarantee:

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

Under the Indenture and any supplemental indenture to the Indenture, as applicable, the Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Parent Guarantor will (1) agree that its obligations under the Parent Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture (other than in respect of the Parent Guarantee) and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Parent Guarantee.

Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Parent Guarantee will be reinstated with respect to such payment as though such payment had not been made. All payments under the Parent Guarantee are required to be made in U.S. dollars.

## Release of the Parent Guarantee

The Parent Guarantee may be released in certain circumstances, including:

- upon repayment in full of the Notes; and
- upon a defeasance as described under “– Defeasance – Defeasance and Discharge.”

## Registration of the Parent Guarantee

Guarantees by a PRC-incorporated entity of foreign indebtedness arising from offshore bond issuances are subject to registration by the State Administration of Foreign Exchange of the PRC (“SAFE”). According to applicable PRC law and regulation of the SAFE:

- (i) the Parent Guarantee will be the legal, valid and binding obligations of the Parent Guarantor upon execution; and
- (ii) the Parent Guarantor is required to register the Parent Guarantee of the Notes with the Nantong Branch of SAFE (the “Nantong Branch”) as soon as possible and in any event before the date that is 15th Nantong Business Day after the execution of the Parent Guarantee of the Notes on the Original Issue Date. The Parent Guarantor may only remit funds outside of the PRC when it performs its obligations under the Parent Guarantee only after the registration of the Parent Guarantee is completed. As such, the enforceability of the Parent Guarantee is subject to certain risks. See “Risk Factors – Risks Relating to the Notes and the Parent Guarantee – The Parent Guarantee may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Parent Guarantee” and “Enforcement of Civil Liabilities”.

The Parent Guarantee will cover all sums due under the Notes (including any principal, premium if any, interest and related financial obligations).

Under the Indenture, upon completion of registration of the Parent Guarantee with the Nantong Branch, the Parent Guarantor is required to deliver to the Trustee an Officer’s Certificate attaching a copy of the relevant

certificate of registration from the Nantong Branch and certifying that such copy is a true and correct copy. If such registration is not completed within 180 Nantong Business Days after the Original Issue Date, the Issuer will be required under the Indenture to make an offer to repurchase all of the Notes at a price equal to 100% of the principal amount of the Notes then outstanding, plus accrued and unpaid interest to but excluding the date of repurchase, as described below under “– Repurchase upon a SAFE Noncompliance Event.”

The Parent Guarantor intends to register the Parent Guarantee as soon as reasonably practicable after the closing date of the offering of the Notes.

### **Further Issues**

Subject to the covenants described below and in accordance with the terms of the Indenture, the Issuer may, from time to time, without notice to or the consent of the Holders, create and issue additional notes (the “Additional Notes”) having the same terms and conditions as the Notes (including the benefit of the Parent Guarantee) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions and any limitations associated with the registration of the Parent Guarantee with the Nantong Branch and any related rights of the Holders of Additional Notes set forth under “– Repurchase Upon a SAFE Noncompliance Event”) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single series with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided that* (a) the issuance of any such Additional Notes shall then be permitted under the “Limitation on Indebtedness and Preferred Stock” covenant described below; (b) that the “Original Issue Date” as used under “– Repurchase Upon a SAFE Noncompliance Event” shall be deemed to mean the issue date of the applicable Further Issue; (c) that such tranche of Additional Notes shall be assigned a temporary ISIN, Common Code or other identifying number until the SAFE Completion Event (as defined below) has occurred with respect to such Additional Notes; and (d) until the SAFE Completion Event has occurred with respect to such Additional Notes, such Additional Notes will not be consolidated or form a single series with the previously outstanding Notes or vote together as one class on matters with respect to the Notes; provided further that if such Additional Notes are issued within 15 Nantong Business Days after the Original Issue Date and the Parent Guarantor registers the Parent Guarantee with respect to both the Notes and the Additional Notes with the Nantong Branch together, the preceding paragraphs (c) and (d) shall not apply. In connection with any such issuance of the Additional Notes, the Issuer shall deliver an Officers’ Certificate to the Trustee directing the Trustee to authenticate and deliver the Additional Notes in an aggregate principal amount specified therein and the Trustee, in accordance with such Officers’ Certificate, shall authenticate and deliver such Additional Notes.

Prior to the time such tranche of Additional Notes may be consolidated to form a single series with the previously outstanding Notes, such tranche of Additional Notes shall have a temporary ISIN and Common Code and be represented by the temporary Global Note substantially in the form set out in the Indenture (the “Temporary Global Note”), which shall bear a legend as set forth below:

“THIS IS A TEMPORARY GLOBAL NOTE. THIS TEMPORARY GLOBAL NOTE MAY BE EXCHANGED BY THE TRUSTEE, UPON RECEIPT OF THE SAFE COMPLETION CERTIFICATE WITH RESPECT TO SUCH ADDITIONAL NOTES ON OR PRIOR TO THE SAFE NONCOMPLIANCE EVENT OCCURRENCE DATE AND WITHOUT THE CONSENT OF THE HOLDERS, FOR A PERMANENT GLOBAL NOTE PURSUANT TO THE INDENTURE.”

The Trustee shall, upon receipt of the SAFE Completion Certificate with respect to such tranche of Additional Notes in the form set out in the Indenture, and without the consent of the Holders, exchange the Temporary Global Note for a permanent Global Note (the “Permanent Global Note”) substantially in the form set out in the Indenture, except for the first Interest Payment Date and issue date, which shall have the same ISIN and Common Code as the previously outstanding Notes. The Parent Guarantee endorsed on the Temporary Global Note shall, upon such exchange, be endorsed on the Permanent Global Note.

### **Optional Redemption**

At any time prior to June 5, 2023, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the redemption price.

At any time and from time to time prior to June 5, 2023, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of the Common Stock of the Parent

Guarantor in an Equity Offering at a redemption price of 112.00% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided that* at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

If the optional redemption date is on or after a Record Date and on or before the related Interest Payment Date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such Record Date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

### **Selection and Notice**

The Issuer will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any recognized securities exchange or held through a clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed or the requirement of the clearing system; or
- (2) if the Notes are not listed on any recognized securities exchange or held through a clearing system, on a pro rata basis, unless otherwise required by applicable law.

No Note of U.S.\$150,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

### **Repurchase of Notes Upon a Change of Control Triggering Event**

Not later than 30 days following a Change of Control Triggering Event, the Issuer or the Parent Guarantor will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

Each of the Issuer and the Parent Guarantor has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Issuer and the Parent Guarantor, it is important to note that if the Issuer or the Parent Guarantor, as the case may be, is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Issuer's or the Parent Guarantor's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain debt instruments of the Parent Guarantor and its Subsidiaries. Future debt of the Parent Guarantor and its Subsidiaries may also (1) prohibit the Issuer or the Parent Guarantor from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Issuer or the Parent Guarantor to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Issuer or the Parent Guarantor. The Issuer's or the Parent Guarantor's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Issuer's and the Parent Guarantor's then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors – Risks Relating to the Notes and the Parent Guarantee – We may not be able to repurchase the Notes upon a Change of Control Triggering Event."



The definition of Change of Control includes a phrase relating to the sale of “all or substantially all” the assets of the Parent Guarantor. 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, the ability of a Holder of Notes to require the Parent Guarantor to repurchase such Holder’s Notes as a result of a sale of less than all the assets of the Parent Guarantor to another person or group may be uncertain and will depend upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of “all or substantially all” the assets of the Parent Guarantor has occurred.

Notwithstanding the above, the Issuer or the Parent Guarantor will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner within the same time frame and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer or the Parent Guarantor and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to a Change of Control Triggering Event has occurred and shall not be liable to any person for any failure to do so. The Trustee shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer or the Parent Guarantor. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require the Issuer or the Parent Guarantor to purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

#### **No Mandatory Redemption or Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the Notes.

#### **Additional Amounts**

All payments of principal of, and premium (if any) and interest on the Notes or under the Parent Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer, the Parent Guarantor or a Surviving Person (as defined under the caption “– Consolidation, Merger and Sale of Assets”) is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC, or the jurisdiction through which payments are made or any political subdivision or taxing authority thereof or therein (each, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law.

Where such withholding or deduction is made by the Issuer, the Parent Guarantor or a Surviving Person by or within the PRC up to and including the aggregate rate applicable on the Original Issue Date (the “Applicable Rate”), the Issuer or Surviving Person will increase the amounts paid by it to the extent required, so that the net amount received by Holders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer, the Parent Guarantor or a Surviving Person is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within any Relevant Jurisdiction other than the PRC, the Issuer or Surviving Person, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
  - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
    - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note or Parent Guarantee as the case may be, and the Relevant

Jurisdiction (other than merely acquiring or holding such Note or the receipt of payments or enforcement of rights thereunder or under the Parent Guarantee), including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such 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 Issuer, the Parent Guarantor or a Surviving Person addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, 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, 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; or
  - (c) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a) and (b); 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, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under the Parent Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

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 the 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.

Each Holder, by accepting the Notes agrees, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the offering of the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Notwithstanding any other provision of the Indenture, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such

an intergovernmental agreement) (any such withholding or deduction, a “FATCA Withholding”). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

### **Repurchase upon a SAFE Noncompliance Event**

Upon completion by the Parent Guarantor of registration of the Parent Guarantee for the Notes with the Nantong Branch, the Parent Guarantor will be required to deliver an Officer’s Certificate in a form set forth in the Indenture attaching a copy of the relevant certificate of registration from the Nantong Branch and certifying that such copy is true and correct (such registration and delivery of an Officer’s Certificate attaching the Nantong Branch certificate referred to collectively as the “SAFE Completion Event”). If, within 180 Nantong Business Days after the Original Issue Date, the SAFE Completion Event shall not have occurred (such non-occurrence, a “SAFE Noncompliance Event”), the Issuer will be required to make an offer to repurchase all of the Notes at a price in cash equal to 100% of the principal amount of the Notes offered for repurchase, plus accrued and unpaid interest on the principal amount of the Notes being repurchased to but excluding the date of repurchase (a “SAFE Noncompliance Offer”).

Within 10 calendar days following a SAFE Noncompliance Event, the Issuer will be required to give written notice of the SAFE Noncompliance Offer to the Trustee and the Holders of the Notes offering to repurchase all of the Notes on the date specified in the notice, which date will be no earlier than 30 calendar days and no later than 60 calendar days from the date such notice is given. See “Risk Factors – Risks Relating to the Notes and the Parent Guarantee – We may not be able to redeem the Notes upon the occurrence of a SAFE Noncompliance Event.”

The Trustee shall not be required to take any steps to ascertain whether a SAFE Noncompliance Event has occurred or may occur, and shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer.

A holder of Notes will have no right to require the Issuer to repurchase portions of Notes if it would result in the issuance of Notes, representing the portion not repurchased, in an amount of less than U.S.\$150,000. The Issuer will comply, to the extent applicable, with the requirements of applicable securities laws or regulations in connection with the repurchase of the Notes pursuant to this covenant.

### **Redemption for Taxation Reasons**

The Notes may be redeemed, at the option of the Issuer or a Surviving Person, as a whole but not in part, at any time upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Issuer or the Surviving Person, as the case may be, for redemption (the “Tax Redemption Date”) if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a 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 becomes effective (or in the case of an official position, is announced) with respect to the Issuer or the Parent Guarantor, on or after the Original Issue Date relating to the issue of the Notes, with respect to any payment due or to become due under the Notes or the Indenture, the Issuer, or the Parent Guarantor or a Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Issuer or the Parent Guarantor or a Surviving Person, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Parent Guarantor or a Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or the Parent Guarantor or such Surviving Person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change, amendment, or stating of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer or the Parent Guarantor or such Surviving Person, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment, or stating of an official position referred to in the prior paragraph.

The Trustee shall be and is entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders. The Trustee will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion and is not obligated to investigate or verify any information in such certificate and opinion.

Any Notes that are redeemed for tax reasons will be cancelled.

### **Open Market Purchases**

Subject to compliance with applicable law, the Issuer or the Parent Guarantor may purchase the Notes in the open market or by tender or by any other means at any price, so long as such acquisition does not otherwise violate the terms of the Indenture; *provided that* all Notes redeemed or repurchased by the Issuer or the Parent Guarantor may not be reissued or resold.

### **Certain Covenants**

Set forth below are summaries of certain covenants contained in the Indenture.

### **Limitation on Indebtedness and Preferred Stock**

- (1) The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Parent Guarantor will not permit any Restricted Subsidiary to issue Preferred Stock, provided that the Parent Guarantor may Incur Indebtedness (including Acquired Indebtedness), any Finance Subsidiary may Incur Finance Subsidiary Indebtedness, and the Issuer may issue Additional Notes, and any Restricted Subsidiary (other than any Finance Subsidiary) may Incur Permitted Subsidiary Indebtedness or Public Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than (x) 2.0 to 1.0.

Notwithstanding the foregoing, the Parent Guarantor will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Issuer or the Parent Guarantor, so long as it is so held).

- (2) Notwithstanding the foregoing, the Parent Guarantor and any Restricted Subsidiary may Incur, to the extent provided below, each and all of the following ("Permitted Indebtedness") provided that, on the date of the Incurrence of any Indebtedness Incurred pursuant to clauses (2)(l), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u) and (2)(v) and after giving effect thereto, the sum of the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clauses (2)(l), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u) and (2)(v), (together with any refinancings thereof, but excluding any Contractor Guarantee or guarantee Incurred under such clauses to the extent the amount of such Contractor Guarantee or guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets:
  - (a) Indebtedness under the Notes (excluding any Additional Notes) and the Parent Guarantee;
  - (b) any Pari Passu Guarantees;
  - (c) Indebtedness of the Parent Guarantor or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (2)(d) of this covenant; provided that such Indebtedness of Restricted Subsidiaries (other than Finance Subsidiaries)

shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a), (d), (f) and (g) of this paragraph (2));

- (d) Indebtedness of the Parent Guarantor or any Restricted Subsidiary owed to the Parent Guarantor or any Restricted Subsidiary; provided that (i) any event which results in any such Restricted Subsidiary to whom such Indebtedness is owed ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Parent Guarantor or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Issuer is the obligor on such Indebtedness (other than any intercompany loan from a Finance Subsidiary to the Parent Guarantor to transfer the proceeds of a Finance Subsidiary Indebtedness), such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, and if the Parent Guarantor is the obligor on such Indebtedness and the Issuer is not the obligee, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Parent Guarantee;
- (e) Indebtedness (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (l), (m), (n), (o), (q), (r), (s), (t), (u) and (v) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided that* (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or the Parent Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or the Parent Guarantee such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or the Parent Guarantee or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or the Parent Guarantee, 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 subordinated in right of payment to the Notes or the Parent Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or the Parent Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced and (iii) in no event may Indebtedness of the Issuer, the Parent Guarantor be refinanced pursuant to this clause (e) by means of any Indebtedness of any Restricted Subsidiary;
- (f) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Parent Guarantor or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (g) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting reimbursement obligations with respect to workers’ compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case in the ordinary course of business and other than for an obligation for borrowed money);
- (h) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Parent Guarantor or such Restricted Subsidiary of a demand for reimbursement;



- (i) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Parent Guarantor or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided that* the maximum aggregate liability in respect of all such Indebtedness in the nature of such guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (j) 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;
- (k) Guarantees by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of any another Restricted Subsidiary or the Parent Guarantor that was permitted to be Incurred under another provision of this covenant;
- (l) Indebtedness of the Parent Guarantor or any Restricted Subsidiary:
  - (i) representing Capitalized Lease Obligations incurred in the ordinary course of business; or
  - (ii) constituting purchase money Indebtedness incurred to finance (x) all or any part of the purchase price of equipment, real or personal property (including the purchase price of land use rights) or assets to be used in the ordinary course of a Permitted Business of the Parent Guarantor or any Restricted Subsidiary (including the purchase of Capital Stock of any Person holding such equipment, real or personal property or assets that is, or will upon such purchase become, a Restricted Subsidiary) or (y) the cost of development, construction or improvement of equipment, real or personal property (including the purchase price of land use rights) or assets to be used in the ordinary course of a Permitted Business by the Parent Guarantor or a Restricted Subsidiary,

*provided that*, (A) such purchase money Indebtedness shall not exceed the purchase price of such equipment, property or assets or the cost for the development, construction or improvement of such equipment, property or assets, and (B) such purchase money Indebtedness shall be Incurred no later than 180 days after the acquisition of such equipment, property or assets or completion of such development, construction or improvement;
- (m) Indebtedness of the Parent Guarantor or any Restricted Subsidiary consisting of local lines of credit, bilateral facilities, working capital facilities and/or other operating facilities, in each case, with a maturity of one year or less used for working capital purposes; *provided that*, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (m) (together with any refinancings thereof) does not exceed U.S.\$50 million (or the Dollar Equivalent thereof);
- (n) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition);
- (o) Indebtedness of the Parent Guarantor or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed U.S.\$20 million (or the Dollar Equivalent thereof);

- (p) Indebtedness of the Parent Guarantor or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Parent Guarantor or such Restricted Subsidiary enters into such Staged Acquisition Agreement;
  - (q) Indebtedness of the Parent Guarantor 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 Parent Guarantor or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement and becomes obligated to pay such deferred purchase price;
  - (r) Indebtedness Incurred or Preferred Stock issued by the Parent Guarantor or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in any PRC Restricted Subsidiary, and Indebtedness of the Parent Guarantor or a Restricted Subsidiary constituting a guarantee by, or grant of a Lien on the assets of the Parent Guarantor or any PRC Restricted Subsidiary in favor of a Trust Company Investor with respect to the obligation to pay a guaranteed or preferred return to such Trust Company Investor on Capital Stock of such Restricted Subsidiary;
  - (s) Bank Deposit Secured Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary;
  - (t) Indebtedness Incurred by any Restricted Subsidiary which is secured by Investment Properties, and Guarantees thereof by the Parent Guarantor or any Restricted Subsidiary;
  - (u) Indebtedness incurred by the Parent Guarantor or any Restricted Subsidiary under Credit Facilities;
  - (v) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting a guarantee of Indebtedness of any Person (other than the Parent Guarantor, any Restricted Subsidiary, or any Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption “– Limitation on Transactions with Shareholders and Affiliates;”);
  - (w) Pre-Registration Mortgage Guarantees by the Parent Guarantor or any Restricted Subsidiary;
  - (x) Indebtedness Incurred by the Parent Guarantor constituting a Subordinated Shareholder Loan; and
  - (y) Indebtedness of the Parent Guarantor or any Restricted Subsidiary in respect of Nonrecourse Receivable Financing.
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Parent Guarantor, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.
- (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies *provided that* such Indebtedness was permitted to be incurred at the time of such Incurrence. For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided that* if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction

shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currency in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

### **Limitation on Restricted Payments**

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Parent Guarantor’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Parent Guarantor’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Parent Guarantor or any Restricted Subsidiary or any direct or indirect parent of the Parent Guarantor (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons (other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary) other than (i) the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement permitted to be entered into under the Indenture or (ii) the purchase of Capital Stock of a Restricted Subsidiary held by any Trust Company Investor in connection with Indebtedness Incurred under clause (2)(r) of the covenant described under the caption “– Limitation on Indebtedness and Preferred Stock;”
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or the Parent Guarantee (excluding any intercompany Indebtedness between or among the Parent Guarantor and any of its Restricted Subsidiaries); or
- (4) make any Investment, other than a Permitted Investment if, at the time of, and after giving effect to, the proposed Restricted Payment:
  - (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
  - (b) the Parent Guarantor could not Incur at least U.S.\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption “– Limitation on Indebtedness and Preferred Stock;” or
  - (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Parent Guarantor and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of (without duplication):
    - (i) 50% of the aggregate amount of the Consolidated Net Income of the Parent Guarantor (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the Measurement Date occurred and ending on the last day of the Parent Guarantor’s most recently ended fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus
    - (ii) 100% of the aggregate Net Cash Proceeds received by the Parent Guarantor after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a



Subsidiary of the Parent Guarantor, including any such Net Cash Proceeds received upon (A) the conversion by a Person who is not a Subsidiary of the Parent Guarantor of any Indebtedness (other than Subordinated Indebtedness) of the Parent Guarantor into Capital Stock (other than Disqualified Stock) of the Parent Guarantor, or (B) the exercise by a Person who is not a Subsidiary of the Parent Guarantor of any options, warrants or other rights to acquire Capital Stock of the Parent Guarantor (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Parent Guarantor or any Restricted Subsidiary; plus

- (iii) the amount by which Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries is reduced on the Parent Guarantor's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Parent Guarantor) subsequent to the Measurement Date of any Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Parent Guarantor (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Parent Guarantor upon such conversion or exchange), provided, however, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Parent Guarantor or any of its Restricted Subsidiaries from the Incurrence of such Indebtedness; plus
- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a guarantee provided by the Parent Guarantor or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Parent Guarantor or a Restricted Subsidiary after the Measurement Date in any such Person or Unrestricted Subsidiary; plus
- (v) U.S.\$20 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of any of the following:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Parent Guarantor or any Finance Subsidiary with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Parent Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a substantially concurrent sale (other than to a Subsidiary of the Parent Guarantor) of, shares of the Capital Stock (other than Disqualified Stock) of the Parent Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Parent Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Parent Guarantor) of, shares of the Capital Stock (other than Disqualified Stock) of the Parent Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);
- (5) the declaration and payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Parent Guarantor, to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Parent Guarantor;
- (6) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Parent Guarantor; *provided that*, any such cash payment shall not be for the purpose of evading the limitation of this “Limitation on Restricted Payments” covenant (as determined in good faith by the Board of Directors of the Parent Guarantor); or
- (7) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor or any Restricted Subsidiary held by an employee benefit plan of the Parent Guarantor or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Parent Guarantor or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); *provided that* the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed U.S.\$5 million (or the Dollar Equivalent thereof) in the aggregate;
- (8) the purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement to acquire the Capital Stock of such Person; *provided that* such Person becomes a Restricted Subsidiary on or before the last date in the period stipulated in such Staged Acquisition Agreement for which the purchase price can be made;
- (9) payments pursuant to a Minority Interest Staged Acquisition Agreement, *provided that*, on the date that such Minority Interest Staged Acquisition Agreement was entered into, the Parent Guarantor delivers to the Trustee a Board Resolution set forth in 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, provided further that the aggregate principal amount paid by the Parent Guarantor or any Restricted Subsidiary for any purchase made pursuant to this clause (9) does not exceed an amount equal to 10.0% of Total Assets;
- (10) the declaration and payment of dividends by the Parent Guarantor and/or the repurchase of the Parent Guarantor’s Common Stock, with respect to any fiscal year, in an aggregate amount not to exceed 30% of the distributable profits of the Parent Guarantor in such fiscal year so long as the Capital Stock of the Parent Guarantor is listed on the Shenzhen Stock Exchange or as otherwise required by Shenzhen Stock Exchange;
- (11) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under clause (2)(r) under the caption “Limitation on Indebtedness and Preferred Stock;”
- (12) distributions or payments of Securitization Fees in connection with Receivable Financing permitted under the Indenture; or
- (13) the purchase by the Parent Guarantor or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Parent Guarantor from an Independent Third Party pursuant to an agreement entered into between/

among the Parent Guarantor 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 Parent Guarantor 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;

*provided that*, in the case of clause (2), (3), (4) or (5) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1), (5) and (10) of the preceding paragraph after the Original Issue Date shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "– Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Parent Guarantor or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds U.S.\$10 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in an amount in excess of U.S.\$10 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (13) other than (9) in the second paragraph of this "– Limitation on Restricted Payments", the Parent Guarantor will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

If a payment or other action meets the criteria of more than one of the clauses in the second paragraph of this covenant, or is permitted under the first paragraph of this covenant (including by virtue of qualifying as a Permitted Investment), the Parent Guarantor and the Restricted Subsidiaries will be permitted to classify such payment or other action on the date of its occurrence in any manner that complies with this covenant. Payments or other actions permitted by this covenant need not be permitted solely by reference to one provision permitting such payment or other action but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such payment or other action (including pursuant to any section of the definition of "Permitted Investment").

#### **Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries**

- (1) Except as provided below, the Parent Guarantor will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
  - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Parent Guarantor or any other Restricted Subsidiary;
  - (b) pay any Indebtedness or other obligation owed to the Parent Guarantor or any other Restricted Subsidiary;
  - (c) make loans or advances to the Parent Guarantor or any other Restricted Subsidiary; or
  - (d) sell, lease or transfer any of its property or assets to the Parent Guarantor or any other Restricted Subsidiary,

*provided that* for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Parent Guarantor or any Restricted Subsidiary

to other Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Parent Guarantor and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

- (2) The provisions of paragraph (1) under this covenant do not apply to any encumbrances or restrictions:
- (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Parent Guarantee or the Indenture 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) arising or existing under or by reason of applicable law, rule, regulation or order;
  - (c) existing with respect to any Person or the property or assets of such Person acquired by the Parent Guarantor or any Restricted Subsidiary, 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, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Parent Guarantor or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Parent Guarantor or any Restricted Subsidiary in any manner material to the Parent Guarantor or any Restricted Subsidiary;
  - (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale, transfer or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “– Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “– Limitation on Indebtedness and Preferred Stock” and “– Limitation on Asset Sales” covenants;
  - (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or Preferred Stock of the type permitted under clauses (2)(l), (2)(m), (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u) and (2)(v) of the “– Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Issuer to make required payment on the Notes or the Parent Guarantor to make required payment on its Parent Guarantee, as the case may be, and, with respect to Indebtedness of the type permitted under (2)(l), (2)(m), (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u) and (2)(v), 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) any encumbrance or restriction existing by reason of any Lien permitted under the “– Limitation on Liens” covenant;

- (h) existing with respect to Hedging Obligations permitted to be Incurred under clause (2)(f) of the covenant described under the caption “– Limitation on Indebtedness and Preferred Stock” solely to the extent that such restriction or encumbrance is only encumbering customary initial deposits or margin deposits or is otherwise within the general parameters customary in the industry with respect to such Hedging Obligations;
- (i) existing in customary provisions in leases, licenses, joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary (as determined in good faith by the Board of Directors) and (i) the encumbrances or restrictions are customary for a lease, license, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect the ability of the Parent Guarantor to make the required payments on the Notes; and
- (j) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any 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.

#### **Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries**

The Parent Guarantor will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Parent Guarantor or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Parent Guarantor and its Restricted Subsidiaries;
- (2) to the extent such Capital Stock represents director’s qualifying shares or is required by applicable law to be held by a Person other than the Parent Guarantor or a Wholly Owned Restricted Subsidiary;
- (3) the 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 under the “Limitation on Restricted Payments” covenant if made on the date of such issuance or sale and *provided that* the Parent Guarantor 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 Parent Guarantor 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 Parent Guarantor will not permit any Restricted Subsidiary which is not the Issuer, directly or indirectly, to guarantee any Indebtedness (“Guaranteed Indebtedness”) of the Parent Guarantor or any Restricted Subsidiary, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated and unconditional subsidiary guarantee 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 Parent Guarantor or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its guarantee until the Notes have been paid in full or (2) such guarantee and such Guaranteed Indebtedness are permitted by clauses (2)(b), (2)(c) or (2)(d) or 2(k) (in the case of clauses (2)(k), other than a



guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary or a guarantee by a Restricted Subsidiary of the Indebtedness of a Finance Subsidiary), under the caption “– Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or the Parent Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Parent Guarantee or (2) is subordinated in right of payment to the Notes or the Parent Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Parent Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Parent Guarantee.

#### **Limitation on Transactions with Shareholders and Affiliates**

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Parent Guarantor or (y) any Affiliate of the Parent Guarantor (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Parent Guarantor or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm’s length transaction by the Parent Guarantor or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Parent Guarantor or such Restricted Subsidiary; and
- (2) the Parent Guarantor delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.\$15 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 U.S.\$17.5 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Parent Guarantor or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular compensation to directors of the Parent Guarantor or any Restricted Subsidiary who are not employees of the Parent Guarantor or any Restricted Subsidiary;
- (2) transactions between or among the Parent Guarantor and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under the caption “– Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Parent Guarantor;
- (5) the payment of compensation to officers and directors of the Parent Guarantor or any Restricted Subsidiary pursuant to an employee stock or share option scheme; and
- (6) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor or any Restricted Subsidiary pursuant to clause (7) of the second paragraph of the covenant described under “– 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 and described in this

exchange offer memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Parent Guarantor and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction (A) between or among the Parent Guarantor, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or (B) between or among the Parent Guarantor or a Restricted Subsidiary on the one hand and any Unrestricted Subsidiary, Jointly Controlled Entity or Associate on the other hand; *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 minority shareholders or minority partners of or in such Restricted Subsidiary that is not Wholly Owned by the Parent Guarantor is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or by reason of being a Subsidiary of the Parent Guarantor) and (c) in the case of a Unrestricted Subsidiary, Jointly Controlled Entity or Associate, none of the shareholders or partners which beneficially owns more than 10% of the Capital Stock of or in such Unrestricted Subsidiary, Jointly Controlled Entity or Associate is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such entity or by reason of being a Subsidiary of the Parent Guarantor).

### **Limitation on Liens**

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

### **Limitation on Sale and Leaseback Transactions**

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided that* the Parent Guarantor or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Parent Guarantor or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “– Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “– Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Parent Guarantor or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “– Limitation on Asset Sales.”

### **Limitation on Asset Sales**

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Parent Guarantor or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75.0% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided that* in the case of an Asset Sale in which the Parent Guarantor or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration with Fair Market Value in excess of U.S.\$10 million (or the Dollar Equivalent thereof), the Parent Guarantor shall deliver to the Trustee an opinion as to the fairness to the Parent Guarantor or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or

investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

- (a) any liabilities, as shown on the Parent Guarantor's most recent consolidated balance sheet, of the Parent Guarantor or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or the Parent Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, set-off, novation or similar agreement that releases the Parent Guarantor or such Restricted Subsidiary from further liability; and
- (b) any securities, notes or other obligations received by the Parent Guarantor or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Parent Guarantor or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Parent Guarantor (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Issuer or the Parent Guarantor or any Indebtedness of a Restricted Subsidiary (other than the Issuer) (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Parent Guarantor or a Restricted Subsidiary; or
- (2) acquire Replacement Assets.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Parent Guarantor or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than U.S.\$10 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds U.S.\$10 million (or the Dollar Equivalent thereof), within 10 days thereof, the Issuer or the Parent Guarantor must make an Offer to Purchase Notes having a principal amount equal to:

- (3) accumulated Excess Proceeds, multiplied by
- (4) 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 U.S.\$1.0.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes and such other *pari passu* Indebtedness plus any accrued and unpaid interest to (but excluding) the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Parent Guarantor or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

#### **Limitation on the Parent Guarantor's Business Activities**

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; provided, however, that the Parent Guarantor or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption "— Limitation on Restricted Payments"; provided further, that the Parent Guarantor shall at all times own all the Capital Stock of the Issuer.



### **Limitation on the Issuer's Activities**

Notwithstanding anything contained in the Indenture to the contrary, the Issuer will not engage in any business activity or undertake any other activity, except any activity (a) relating to the offering, sale or issuance of the Notes, the incurrence of Indebtedness represented by the Notes or any Additional Notes issued under the Indenture (if such offering, sale or issuance is permitted under the Indenture), (b) relating to the offering, sale or issuance of debt obligations in the future and the incurrence of Indebtedness represented by such debt obligations (or guarantees thereof) (if such offering, sale or issuance is permitted under the Indenture), (c) contributing to, lending to or otherwise using the proceeds of the issuance of Indebtedness incurred by the Issuer to fund the activities of, the Parent Guarantor or any Restricted Subsidiary, (d) undertaken with the purpose of fulfilling any obligations under the Indebtedness referred to in clause (a) and (b) or the Indenture or any future indenture related to such Indebtedness or for purposes of any consent solicitation or tender for such Indebtedness or refinancing of such Indebtedness or (e) directly related to the establishment and/or maintenance of the Issuer's corporate existence.

The Issuer will not (a) issue any Capital Stock other than the issuance of its ordinary shares to the Parent Guarantor or (b) acquire or receive any property or assets (including, without limitation, any Capital Stock or Indebtedness of any Person), other than (x) any future intercompany Indebtedness owed by the Parent Guarantor or any Restricted Subsidiary to the Issuer in respect of the borrowing of the gross proceeds of the issuance of Indebtedness by the Issuer or payments in respect thereof or (y) cash for ongoing corporate activities of the Issuer described in the preceding paragraph.

The Issuer will not create, incur, assume or suffer to exist any Lien of any kind against or upon any of its property or assets, or any proceeds therefrom unless otherwise permitted under the Indenture.

The Issuer will at all times remain, directly or indirectly, a Wholly Owned Restricted Subsidiary of the Parent Guarantor.

For so long as any Notes are outstanding, the Issuer will not, and the Parent Guarantor will procure that none of the Restricted Subsidiaries will, commence or take any action to cause a winding-up or liquidation of the Issuer.

The Issuer will not consolidate with, merge with or into, another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any Person.

### **Use of Proceeds**

The Issuer and the Parent Guarantor will not, and the Parent Guarantor will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than as specified under the caption "Use of Proceeds" in this exchange offer memorandum.

### **Designation of Restricted and Unrestricted Subsidiaries**

The Board of Directors may designate any Restricted Subsidiary (other than the Issuer) to be an Unrestricted Subsidiary; *provided that* (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Parent Guarantor nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiary; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Parent Guarantor or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Parent Guarantor or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be incurred under the covenant described under the caption "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "– Certain Covenants – Limitation on Liens;" (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "– Certain Covenants – Limitation on Restricted Payments"; provided further that, the Issuer shall be a Restricted Subsidiary for so long as any Notes are outstanding.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock;” (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “– Certain Covenants – Limitation on Liens;” and (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary).

### **Government Approvals and Licenses; Compliance with Law**

The Parent Guarantor will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Issuer or the Parent Guarantor to perform its obligations under the Notes, the Parent Guarantee or the Indenture.

### **Anti-Layering**

The Parent Guarantor will not Incur, and will not permit the Issuer to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Parent Guarantor or the Issuer, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the Parent Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or guarantees securing or in favor of some but not all of such Indebtedness.

### **Suspension of Certain Covenants**

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from two of the three Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from two of the three Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (2) “– Certain Covenants – Limitation on Restricted Payments”;
- (3) “– Certain Covenants – Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “– Certain Covenants – Limitation on Transactions with Shareholders and Affiliates”;
- (6) “– Certain Covenants – Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (7) “– Certain Covenants – Limitation on the Parent Guarantor’s Business Activities”;
- (8) “– Certain Covenants – Limitation on Sale and Leaseback Transactions”;
- (9) “– Certain Covenants – Limitation on Asset Sales”; and
- (10) Clause (4) under the first and second paragraphs of the covenants described under the caption “– Certain Covenants – Consolidation, Merger and Sale of Assets.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Parent Guarantor or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “– Certain Covenants – Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

### **Provision of Financial Statements and Reports**

- (1) So long as any of the Notes remain outstanding, the Parent Guarantor will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 30 calendar days after they are filed with the Shenzhen Stock Exchange or any other recognized exchange on which the Parent Guarantor’s Common Stock are at any time listed for trading, true and correct copies of any financial report filed with such exchange; *provided that* if at any time the Common Stock of the Parent Guarantor ceases to be listed for trading on a recognized stock exchange, the Parent Guarantor will file with the Trustee and furnish to the Holders:
  - (a) as soon as they are available, but in any event within 150 calendar days after the end of the fiscal year of the Parent Guarantor, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of a nationally or an internationally-recognized firm of independent accountants, in each case together with an English translation thereof;
  - (b) as soon as they are available, but in any event within 120 calendar days after the end of the second financial quarter of the Parent Guarantor, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of a nationally or an internationally-recognized firm of independent accountants, in each case together with an English translation thereof; and
  - (c) as soon as they are available, but in any event within 90 calendar days after the end of each of the first and third financial quarters of the Parent Guarantor, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Parent Guarantor together with a certificate signed by the person then authorized to sign financial statements on behalf of the Parent Guarantor to the effect that such financial statements are true in all material respects and present fairly the financial position of the Parent Guarantor as at the end of, and the results of its operations for, the relevant quarterly period, in each case together with an English translation thereof.
- (2) In addition, so long as any of the Notes remain outstanding, the Parent Guarantor will provide to the Trustee (a) within 150 days after the close of each fiscal year, an Officers’ Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual 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 Parent Guarantor’s external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided that* the Parent Guarantor shall not be required to provide such certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Parent Guarantor becomes aware or should reasonably become aware of the occurrence of a Default, an Officers’ Certificate setting forth the details of the Default, and the action which the Parent Guarantor proposes to take with respect thereto.

## Undertaking in relation to other Existing Indebtedness

So long as any Note remains outstanding and unpaid, the Issuer shall use its best commercial efforts to extend the maturity of the Existing Indebtedness as they fall due and on terms which are no more favorable in any material respect than the terms of the Exchange Offer as described in this exchange offer memorandum.

An Officers' Certificate from the Issuer to the Trustee as to the compliance of this provision provided in good faith by an authorized representative of the Issuer shall be binding and conclusive on the Trustee and all Holders.

## Events of Default

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) (a) default in the performance or breach of the provisions of the covenants described under "– Consolidation, Merger and Sale of Assets," and "– Limitation on Liens" or (b) the failure by the Issuer or the Parent Guarantor to make or consummate an offer to purchase in the manner described under the captions "– Repurchase of Notes upon a Change of Control Triggering Event", "– Repurchase of Notes upon a SAFE Noncompliance Event", or "– Limitation on Asset Sales";
- (4) the Parent Guarantor or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Holders of 25.0% or more in aggregate principal amount of the Notes then outstanding;
- (5) there occurs with respect to any Indebtedness of the Parent Guarantor or any Restricted Subsidiary having an outstanding principal amount of U.S.\$20 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due; *provided, however*, that such Indebtedness shall not include (x) the Excluded Indebtedness and/or (y) any Indebtedness with respect to which any default or event of default occurs as a result of any default or event of default under the Excluded Indebtedness;
- (6) one or more final judgments or orders for the payment of money are rendered against the Parent Guarantor or any of its Restricted Subsidiaries and are not paid or discharged within the time frame specified in such final judgment or order, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed U.S.\$15 million (or the Dollar Equivalent thereof) (in excess of amounts which the Parent Guarantor's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect; *provided, however*, that such final judgments or orders shall not include those (x) in connection with the Excluded Indebtedness and/or (y) in connection with any default or event of default occurred as a result of any default or event of default under the Excluded Indebtedness;
- (7) an involuntary case or other proceeding is commenced against the Parent Guarantor or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Parent Guarantor or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Parent Guarantor or any Significant Restricted Subsidiary under any applicable

bankruptcy, insolvency or other similar law as now or hereafter in effect; *provided, however*, that such involuntary case or other proceeding or order for relief shall not include those (x) in connection with the Excluded Indebtedness and (y) (other than those in connection with the Excluded Indebtedness) in connection with any default or event of default occurred as a result of any default or event of default under the Excluded Indebtedness;

- (8) the Parent Guarantor or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) other than in connection with a solvent liquidation on reorganization, consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Parent Guarantor or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors; *provided, however*, any of the foregoing (a), (b) or (c) shall not include those (x) in connection with the Excluded Indebtedness and (y) (other than those in connection with the Excluded Indebtedness) in connection with any default or event of default occurred as a result of any default or event of default under the Excluded Indebtedness; or
- (9) the Parent Guarantor denies or disaffirms its obligations under the Parent Guarantee, except as permitted by the Indenture, the Parent Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Holders of at least 25.0% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer and the Parent Guarantor and to the Trustee, may, and the Trustee at the request of such Holders shall (subject to being indemnified and/or secured and/or prefunded and/or pre-funding to its satisfaction), declare the principal of, premium, if any, and any 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 any accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Parent Guarantor or any Restricted Subsidiary, the principal of, premium, if any, and any accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Issuer and the Parent Guarantor and to the Trustee may on behalf of the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee shall upon request of Holders of at least 25.0% 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 is unclear or equivocal, or conflicts with law or the Indenture, that may involve the Trustee in personal liability, and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security and/or pre-funding is assured to it.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25.0% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security and/or prefunding reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and/or security and/or prefunding; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, and subject to any amendment or waiver obtained as described under the caption “- Amendments and Waiver,” such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Parent Guarantor must certify to the Trustee in writing, on or before a date not more than 150 calendar days after the end of each fiscal year ending after the Original Issue Date and within 14 days after written request from the Trustee, that a review has been conducted of the activities of the Parent Guarantor and its Restricted Subsidiaries and the Parent Guarantor’s and the Issuer’s performance under the Indenture and that the Parent Guarantor and the Issuer have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Parent Guarantor will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See “- Provision of Financial Statements and Reports.”

None of the Trustee or any Agent is obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and each of the Trustee and the Agents may assume that no such event has occurred and that the Issuer and the Parent Guarantor are performing all of their respective obligations under the Indenture, the Notes and the Parent Guarantee, unless the Trustee or the Agent, as the case may be, has received written notice of the occurrence of such event or facts establishing that a Default or an Event of Default has occurred or that the Issuer and the Parent Guarantor are not performing all of their respective obligations under the Indenture, the Notes and the Parent Guarantee. The Trustee is entitled to rely on any Opinion of Counsel or Officers’ Certificate regarding whether an Event of Default or Default has occurred.

### **Consolidation, Merger and Sale of Assets**

The Parent Guarantor will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person, unless:

- (1) the Parent Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the “Surviving Person”) shall be a corporation organized and validly existing under the laws of the PRC and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Parent Guarantor under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;



- (3) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor 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 Parent Guarantor immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor or the Surviving Person, as the case may be, could Incur at least U.S.\$1.00 of Indebtedness under the first paragraph of part (1) of the covenant under the caption “– Limitation on Indebtedness and Preferred Stock;” and
- (5) the Parent Guarantor delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that (A) such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with and (B) if the Parent Guarantor is the surviving person, the Parent Guarantee provided by the Parent Guarantor and all the obligations of the Parent Guarantor under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain valid and in full force and effect, and that no registration with, or approval from, any government authority shall be required with respect to such documents’ validity or enforceability other than any such registration or approval that has been made or obtained prior to such transaction.

The Issuer will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Parent Guarantor), unless:

- (1) the Issuer shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be a corporation organized and validly existing under the laws of 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 Issuer under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor could Incur at least U.S.\$1.00 of Indebtedness under the first paragraph of part (1) of the covenant under the caption “– Limitation on Indebtedness and Preferred Stock;”
- (5) the Issuer delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) 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) the Parent Guarantor, unless the Parent Guarantor is the Person with which the Issuer has entered into a transaction described under the caption “– Consolidation, Merger and Sale of Assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that its Parent Guarantee, shall apply to the obligations of the Issuer or the Issuer Surviving Person in accordance with the Notes and the Indenture,

*provided that* this paragraph shall not apply to any sale or other disposition that complies with the “– Certain Covenants – Limitation on Asset Sales” covenant.

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Parent Guarantor that may adversely affect Holders.

### **No Payments for Consents**

The Parent Guarantor will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Parent Guarantor and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are located in the United States or “U.S. Persons” as defined in Regulation S 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 Parent Guarantor 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 Parent Guarantor in its sole discretion.

### **Defeasance**

#### **Defeasance and Discharge**

The Indenture will provide that the Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Issuer (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Issuer has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of 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 Parent Guarantor or any of its Restricted Subsidiaries is a party or by which the Parent Guarantor or any of its Restricted Subsidiaries is bound.



In the case of either discharge or defeasance of the Notes, the Parent Guarantee will terminate.

### **Defeasance of Certain Covenants**

The Indenture will provide that (i) the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “– Consolidation, Merger and Sale of Assets” and all the covenants described herein under “– Certain Covenants,” other than as described under “– Certain Covenants – Government Approvals and Licenses; Compliance with Law” and “– Certain Covenants – Anti-Layering,” and (ii) clause (3) under “Events of Default” with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in the above clause (i), clause (4) under “Events of Default” with respect to such other covenants and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, 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) of the preceding paragraph.

### **Defeasance and Certain Other Events of Default**

In the event that the Issuer exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Issuer will remain liable for such payments.

### **Amendments and Waiver**

#### **Amendments Without Consent of Holders**

The Indenture, the Notes or the Parent Guarantee may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes;
  - (2) comply with the provisions described under “– Consolidation, Merger and Sale of Assets;”
  - (3) evidence and provide for the acceptance of appointment by a successor Trustee;
  - (4) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
  - (5) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
  - (6) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;
  - (7) make any other change that does not materially and adversely affect the rights of any Holder;
- or
- (8) conform the text of the Indenture, the Notes or the Parent Guarantee to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes or the Parent Guarantee.

#### **Amendments With Consent of Holders**

The Indenture, the Notes or the Parent Guarantee may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in

principal amount of the outstanding Notes may amend or waive future compliance by the Parent Guarantor or any of its Restricted Subsidiaries with any provision thereof; provided, however, that no such modification, amendment or waiver may, without the consent of Holders holding no less than 75% of the aggregate principal amount of the outstanding Notes at the time of such consent:

- (1) change the Stated Maturity of the principal of, 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 place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note or the Parent Guarantee;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (8) amend, change or modify the Parent Guarantee in a manner that adversely affects the Holders;
- (9) reduce the amount payable upon a Change of Control Offer, a SAFE Noncompliance Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer, a SAFE Noncompliance Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer, a SAFE Noncompliance Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (10) change the redemption date or the redemption price of the Notes from that stated under the caption “– Optional Redemption” or “– Redemption for Taxation Reasons;”
- (11) amend, change or modify the obligation of the Issuer or the Parent Guarantor to pay Additional Amounts; or
- (12) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or the Parent Guarantee in a manner which adversely affects the Holders.

### **Unclaimed Money**

Claims against the Issuer or the Parent Guarantor for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

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

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Issuer or the Parent Guarantor in the Indenture, or in any of the Notes or the Parent Guarantee, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Issuer or the Parent Guarantor, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Parent Guarantee. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws.

## **Concerning the Trustee and the Agents**

Citicorp International Limited has been appointed as Trustee under the Indenture. Citicorp International Limited has been appointed as note registrar (the “Note Registrar”) and Citibank, N.A., London Branch has been appointed as paying and transfer agent (the “Paying Agent” and together with the Note Registrar, the “Agents”) with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture or the Notes, and no implied covenant or obligation shall be read into the Indenture or the Notes against the Trustee. 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 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 and have absolute and uncontrolled discretion as to exercise or non-exercise of any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have offered to the Trustee indemnity and/or security and/or pre-funding satisfactory to it against any loss, liability or expense. The Trustee will not be responsible for any loss, liability, cost, claim, actions, demand, expense or inconvenience which may result from their exercise or non-exercise. Whenever in the Indenture, the Notes or by law, the Trustee shall have discretion or permissive power it may decline to exercise the same in the absence of approval by the Noteholders. In the exercise of its duties, the Trustee shall not be responsible for the verification of the accuracy or completeness of any certification submitted to it by the Issuer or the Parent Guarantor and is entitled to rely exclusively on the certification contained therein, and take action based on the information contained in, the certification or legal opinion. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Issuer and the Parent Guarantor in the fulfillment of its obligations under the Indenture and the Notes.

The Trustee shall not be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, the Trustee shall not be deemed to have knowledge of any event unless it has been actually notified in writing of such event.

The Trustee shall not be responsible for the performance by any other person appointed by the Issuer or the Parent Guarantor in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Trustee shall not be liable to any Holders or any other person for any action taken by the Holders or the Trustee in accordance with the instructions of the Holders.

The Trustee is entitled to rely on all instructions, notices, declarations and certifications received pursuant to the Indenture without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications.

Neither the Trustee nor the Agents will be responsible for making calculations or for verifying calculations performed by the Issuer, the Parent Guarantor or any other persons unless otherwise specified in the Indenture.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Parent Guarantor or the Issuer to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Issuer, the Parent Guarantor and their respective Affiliates and shall not be obligated to account for any profits therefrom; provided, however, that if it acquires any conflicting interest that may have a materially prejudicial effect upon the Holders, it must eliminate such conflict or resign. The Trustee and the Agents may have an interest in, may be providing, or may in the future provide financial or other services to other parties.

## **Book-Entry; Delivery and Form**

The Notes will be represented by a global note in registered form without interest coupons attached (the “Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the “Additional Global Notes” and, together with the Global Note, the “Global Notes”).

## **Global Notes**

Ownership of beneficial interests in the Global Notes (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants.

Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “– Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective bookentry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

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

None of the Issuer, the Parent Guarantor, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

### **Payments on the Global Note**

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Issuer and the Parent Guarantor will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “– Additional Amounts.”

Under the terms of the Indenture, the Issuer, the Parent Guarantor and the Trustee will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Parent Guarantor, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- any action or failure to take action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

### **Redemption of Global Notes**

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of U.S.\$150,000 principal amount, or less, as the case may be, will be redeemed in part.

### **Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

### **Transfers**

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

### **Global Clearance and Settlement Under the Book-Entry System**

Book-entry interests owned through Euroclear or Clearstream accounts will follow the applicable settlement procedures. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream participants on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

### **Information Concerning Euroclear and Clearstream**

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Issuer, the Parent Guarantor, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

## **Individual Definitive Notes**

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Issuer within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “– Events of Default” and the Issuer has received a written request from a Holder, the Issuer will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary, the Issuer will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Note Registrar in sufficient quantities and authenticated by the Note Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Note Registrar, through the relevant clearing system, with written instruction and other information required by the Issuer and the Note Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

## **Notices**

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Issuer and the Parent Guarantor) addressed at 9/F, Tower A, United Nations International Plaza, 1068 West Tianshan Road, Changning District, Shanghai, China (Attention: Fred Tao; Facsimile number +86 0513 68700051), (if intended for the Trustee), at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note Register.

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

## **Consent to Jurisdiction; Service of Process**

The Issuer and the Parent Guarantor will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Parent Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. at 122 East 42<sup>nd</sup> Street, 18<sup>th</sup> Floor, New York, NY 10168 for receipt of service of process in any such suit, action or proceeding.

## **Governing Law**

Each of the Notes, the Parent Guarantee and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

## **Definitions**

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this “Description of the Notes” for which no definition is provided.

“2019 Notes” means the 10.875% Guaranteed Senior Notes due 2022 (ISIN: XS2008677341, Common Code: 200867734) issued by the Issuer and guaranteed by the Parent Guarantor on June 18, 2019.

“2021 Notes” means the 12.00% Guaranteed Senior Notes due 2022 (ISIN: XS2349744594, Common Code: 234974459) issued by the Issuer and guaranteed by the Parent Guarantor on June 9, 2021.

“2024 Notes” means the 11.50% Guaranteed Senior Notes due 2024 (ISIN: XS2288886216, Common Code: 228888621) issued by the Issuer and guaranteed by the Parent Guarantor on April 7, 2021.

“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 June 5, 2023, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case, calculated on the third Business Day immediately preceding the redemption date.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) 100% of the principal amount of such Note on the maturity date of the Notes, plus (y) all required remaining scheduled interest payments due on such Note through the maturity date of the Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an Investment by the Parent Guarantor or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Parent Guarantor or any of its Restricted Subsidiaries; or (2) an acquisition by the Parent Guarantor or any of its Restricted Subsidiaries of the property and assets of any Person other than the Parent Guarantor or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Parent Guarantor or any of its Restricted Subsidiaries (other than to the Parent Guarantor or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Parent Guarantor or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Parent Guarantor or any of its Restricted Subsidiaries to any Person; provided that “Asset Sale” shall not include:

- (1) sales 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 “– Certain Covenants – Limitation on Restricted Payments” covenant;



- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of U.S.\$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 Parent Guarantor or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant under the caption “– Consolidation, Merger and Sale of Assets;”
- (7) any sale, transfer or other disposition by the Parent Guarantor or any of its Restricted Subsidiaries, including the sale or issuance by the Parent Guarantor or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Parent Guarantor or any Restricted Subsidiary; and
- (8) (i) any disposition of Receivable Financing Assets in connection with any Receivable Financing (other than Non-recourse Receivable Financing) permitted under the Indenture, and (ii) the sale or discount of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof or in bankruptcy or similar proceeding.

“Associate” means any corporation, association or other business entity primarily engaged in a Permitted Business, of which at least 20% of the Capital Stock and the Voting Stock is owned, directly or indirectly, by the Parent Guarantor or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Parent Guarantor or any Restricted Subsidiary that (i) is secured by a pledge of one or more bank accounts or deposits of the Parent Guarantor or a Restricted Subsidiary and/or (ii) is guaranteed by a guarantee, letter of credit or similar instruments from or arranged by the Parent Guarantor or a Restricted Subsidiary and is used by the Parent Guarantor and its Restricted Subsidiaries to effect exchange of foreign currencies.

“Nantong Business Day” means a day other than a Saturday, Sunday or a day on which the Nantong Branch is authorized or obligated by law or executive order to remain closed.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Parent Guarantor to manage the business of the Parent Guarantor or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.



“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible or exchangeable into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Parent Guarantor with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Parent Guarantor, or the sale of all or substantially all the assets of the Parent Guarantor to another Person (other than one or more Permitted Holders);
- (2) the Permitted Holders are collectively the beneficial owners of less than 30% of the total voting power of the Voting Stock of the Parent Guarantor;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the 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 Parent Guarantor greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the Board of Directors of the Parent Guarantor, together with any new directors whose election to the Board of Directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the Board of Directors of the Parent Guarantor then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Parent Guarantor.

“Change of Control Triggering Event” means the occurrence of a Change of Control.

“Clearstream” means Clearstream Banking S.A.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to the remaining term of the Notes to be redeemed on June 5, 2023 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a comparable maturity to June 5, 2023.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the definition of the Adjusted Treasury Rate is applicable, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Parent Guarantor and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Parent Guarantor and its Restricted Subsidiaries (which the Parent Guarantor shall use its reasonable efforts to compile in a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets); and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income,

all as determined on a consolidated basis for the Parent Guarantor and its Restricted Subsidiaries in conformity with GAAP; provided that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Parent Guarantor or any of its Restricted Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Parent Guarantor or any Restricted Subsidiary held by Persons other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Parent Guarantor’s Capital Stock (other than Disqualified Stock).

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Parent Guarantor and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Parent Guarantor and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is guaranteed by, or secured by a Lien on any asset of, the Parent Guarantor or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), and (7) any capitalized interest, provided that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
  - (a) subject to the exclusion contained in clause (5) below, the Parent Guarantor’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Parent Guarantor or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

- (b) the Parent Guarantor's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Parent Guarantor or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Parent Guarantor or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Parent Guarantor or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Parent Guarantor or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Parent Guarantor realized on sales of Capital Stock of the Parent Guarantor or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Parent Guarantor or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Parent Guarantor or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet of the Parent Guarantor and its Restricted Subsidiaries prepared in accordance with GAAP, plus, to the extent not included, any Preferred Stock of the Parent Guarantor, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Parent Guarantor or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"Credit Facilities" means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided

under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after 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 date that is 183 days after 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 “– Certain Covenants – Limitation on Asset Sales” and “– Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer’s or the Parent Guarantor’s repurchase of such Notes as are required to be repurchased pursuant to the “– Certain Covenants – Limitation on Asset Sales” and “– Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Exchange Offer” means the offer to exchange by the Issuer, any and all of its 2019 Notes and 2021 Notes, on the terms and conditions set out in the exchange offer memorandum.

“Entrusted Loans” means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided that* such borrowings are not reflected on the consolidated balance sheet of the Parent Guarantor.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Parent Guarantor after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Parent Guarantor beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a Person controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Parent Guarantor at the same price as the public offering or private placing price; *provided that* any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Parent Guarantor being no less than U.S.\$20 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Excluded Indebtedness” means any Indebtedness in respect of the 2019 Notes and the 2021 Notes.

“Existing Indebtedness” means Indebtedness in respect of the 2019 Notes, the 2021 Notes and the 2024 Notes.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as

determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

“Finance Subsidiary” means a Subsidiary of the Parent Guarantor or another Finance Subsidiary (including the Issuer) (i) that is a Restricted Subsidiary and whose operations are comprised of Incurring Indebtedness to Persons other than the Parent Guarantor or any Restricted Subsidiary from time to time to finance the operations of the Parent Guarantor and/or its Restricted Subsidiaries, (ii) that has not lent the proceeds of any Finance Subsidiary Indebtedness to any Person other than the Parent Guarantor or the Issuer and (iii) which conducts no business and owns no material assets other than any equity interests in a Finance Subsidiary or intercompany Indebtedness Incurred in connection with the Indebtedness described in clauses (i) and (ii).

“Finance Subsidiary Indebtedness” means Indebtedness of a Finance Subsidiary that is guaranteed by the Parent Guarantor, as the case may be; *provided that* no Non-Guarantor Subsidiary shall provide any guarantee to or be an obligor under such Indebtedness.

“Fitch” means Fitch Ratings Ltd., a subsidiary of the Fitch Group, a jointly owned subsidiary of Fimalae, S.A. and Hearst Corporation, and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Four Quarter Period”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Parent Guarantor or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or consolidated into the Parent Guarantor or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period,

*provided that* to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in PRC as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term “guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations;
- (9) any Preferred Stock issued by any Person that is a Restricted Subsidiary and 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; and



- (10) Receivable Financing Assets sold, transferred or discounted (other than pursuant to a Nonrecourse Receivables Financing) by such Person to the extent of the consideration or proceeds received or receivable (prior to the payment of any subordinated tranche of interests (if any)) by such Person from another Person other than the Parent Guarantor or a Restricted Subsidiary.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers, performance obligations or similar obligations (or guarantee thereof) Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business or Entrusted Loans; provided that such Indebtedness is not reflected as borrowings or indebtedness on the consolidated balance sheet of the Parent Guarantor or any Restricted Subsidiary (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 terminated at that time if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Parent Guarantor.

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"Investment" means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any guarantee of any obligation of another Person.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Parent Guarantor will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Parent Guarantor's proportional interest in the Fair Market Value of the assets (net of the Parent Guarantor's proportionate interest in the liabilities owed to any Person other than the Parent Guarantor or a Restricted Subsidiary and that are not guaranteed by the Parent Guarantor or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, (2) if the Parent Guarantor or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of any direct or indirect Restricted Subsidiary of the Parent Guarantor such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Parent Guarantor will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Capital Stock of such Person not sold or disposed of and (3) any property transferred to or from any Person

shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “–” indication, or an equivalent rating representing one of the four highest Rating Categories, by S&P or any of its successors or assigns, a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody’s, or any of its successors or assigns, or a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “–” indication, or an equivalent rating representing one of the four highest Rating Categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Parent Guarantor as having been substituted for S&P, Moody’s or Fitch or two or three of them, as the case may be.

“Investment Property” means any property that is owned and held by the Parent Guarantor or any of its Restricted Subsidiaries primarily for rental yield or for capital appreciation or both, or any hotel, residential or commercial real property owned by the Parent Guarantor or any Restricted Subsidiary as an investment property.

“Jointly Controlled Entity” means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Capital Stock is owned, directly or indirectly, by the Parent Guarantor or a Restricted Subsidiary and such corporation, association or other business entity is treated as a “jointly controlled entity” in accordance with GAAP and is primarily engaged in a Permitted Business, and such Jointly Controlled Entity’s Subsidiaries.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary any class of the Capital Stock of which is listed on a Qualified Exchange and any Subsidiary of a Listed Subsidiary.

“Measurement Date” means June 18, 2019.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Parent Guarantor or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Parent Guarantor or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Parent Guarantor or such Restricted Subsidiary.

“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 bankers) related to such Asset Sale;
  - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole;
  - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
  - (d) appropriate amounts to be provided by the Parent Guarantor or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental



matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Note Register" means the register of Noteholders which the Parent Guarantor will procure to be kept by the Note Registrar.

"Non-recourse Receivable Financing" means Receivable Financing (i) under which neither the Parent Guarantor nor any Restricted Subsidiary (other than pursuant to Standard Non-recourse Receivable Financing Undertakings) provides guarantee or recourse with respect to the Receivable Financing Assets, undertakes to repurchase any Receivable Financing Assets, subjects any of its properties or assets, directly or indirectly, contingently or otherwise, to the satisfaction of any obligation related to the Receivable Financing Assets or undertakes to maintain or preserve the financial condition or operating results of the entity that purchases or otherwise receives the Receivable Financing Assets and (ii) is not reflected as liability on the consolidated balance sheet of the Parent Guarantor.

"Offer to Purchase" means an offer to purchase Notes by the Parent Guarantor or the Issuer, as the case may be, from the Holders commenced by the Parent Guarantor or the Issuer, as the case may be, mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note Register stating:

- (1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Parent Guarantor or the Issuer, as the case may be, defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the tender agent (the "Tender Agent") at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of U.S.\$150,000 or integral multiples of U.S.\$1.0 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Parent Guarantor or the Issuer, as the case may be, shall deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted. On the Offer to Purchase Payment Date, the Parent Guarantor or the Issuer, as the case may be, shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to

Purchase and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Parent Guarantor or the Issuer, as the case may be. The Tender Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly 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 U.S.\$150,000 or integral multiples of U.S.\$1.0 in excess thereof. The Parent Guarantor or the Issuer, as the case may be, will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Parent Guarantor or the Issuer, as the case may be, will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Issuer is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Issuer and the Parent Guarantors will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Issuer will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Parent Guarantor and its Subsidiaries which the Parent Guarantor in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Parent Guarantor or the Issuer, as the case may be, to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Parent Guarantor or, in the case of the Issuer, one of the directors of the Issuer, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers; provided, however, with respect to the Officers' Certificate required to be delivered by the Issuer under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in the Issuer at the time such certificate is required to be delivered.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

"Original Issue Date" means the date on which the Notes are originally issued under the Indenture.

"Parent Guarantee" means any guarantee of the obligations of the Issuer under the Indenture and the Notes by the Parent Guarantor.

"Pari Passu Guarantee" means a guarantee by the Parent Guarantor or the Issuer (including the Additional Notes), as the case may be; *provided that* (1) the Parent Guarantor or the Issuer was permitted to Incur such Indebtedness under the covenant under the caption "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" and (2) such guarantee ranks *pari passu* with any outstanding Parent Guarantee.

"Permitted Businesses" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Parent Guarantor and its Restricted Subsidiaries as described in this exchange offer memorandum on the Original Issue Date.

"Permitted Holders" means any or all of the following:

- (1) Mr. Chen Jinshi, Ms. Chen Yuhan and Ms. Lu Yaxing;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1);
- (3) the estate, trust and any immediate family member of the Persons listed in (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 at least majority owned by one or more of the Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Parent Guarantor or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or will be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Parent Guarantor or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) any Investment in cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances made in the ordinary course of business to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation entered into in the ordinary course of business (and not for speculation) and designed solely to protect the Parent Guarantor or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables, trade credits or other current assets owing to the Parent Guarantor or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Parent Guarantor or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “– 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) 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;
- (11) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Parent Guarantor’s consolidated balance sheet;
- (12) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims, unemployment insurance or other types of social security and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (13) repurchases or redemption of the Notes;
- (14) any Investment not to exceed the greater of U.S.\$20 million and 5% of Total Assets (a) in a joint venture, including any guarantee thereof or loans or letters of credit thereto, that is engaged in a Permitted Business or (b) that consists of a minority investment in or loan to an entity engaged in a Permitted Business; *provided that* if an Investment is made pursuant to this clause (14) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary, such Investment, if applicable, shall thereafter

be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investments” and not this clause;

- (15) Investments in existence on the Original Issue Date;
- (16) guarantees permitted under clause (2) of the covenant under “– Limitation on Indebtedness and Preferred Stock”;
- (17) any Investment (including without limitation any deemed Investment upon the sale of Capital Stock of a Restricted Subsidiary or the designation of a Restricted Subsidiary as an Unrestricted Subsidiary) by the Parent Guarantor or any Restricted Subsidiary in any Person (excluding the Investments permitted to be made or incurred under other clauses of this definition of “Permitted Investment”); *provided that* the following conditions are satisfied:
  - (i) the aggregate of all Investments made under this clause (17) since the Original Issue Date shall not exceed in aggregate an amount equal to 20% of Total Assets, *provided that* such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (17) since the Original Issue Date resulting from:
    - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (17), in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
    - (B) the unconditional release of the Parent Guarantee provided by the Parent Guarantor 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 (17) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Parent Guarantor or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (17),
    - (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, or
    - (E) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Parent Guarantor or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment”),
  - (ii) none of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (17) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption “– Certain Covenants – Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Parent Guarantor or a Restricted Subsidiary or by reason of being a Restricted Subsidiary), except to the extent that such Investment (x) would have satisfied the requirements of the covenant under the caption “– Certain Covenants – Limitation on Transactions with Shareholders and Affiliates” as if such Investment were an Affiliate Transaction and (y) would otherwise be permitted under applicable laws, regulations or the requirements of the Shenzhen Stock Exchange; and
  - (iii) no Default has occurred and is continuing or would occur as a result of such Investment.
- (18) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Parent Guarantor or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (19) any Standard Non-recourse Financing Undertakings;
- (20) any obligation, undertaking, agreement or arrangement to repurchase, indemnify or make up difference in payments in connection with any Receivable Financing permitted under the Indenture;

- (21) 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;
- (22) deposits made in order to secure the performance or obligations to provide indemnity, compensation, reimbursement or warranty of the Parent Guarantor or any of its Restricted Subsidiaries in connection with the acquisition, construction, development, sale and delivery of, or prepayments made in connection with the direct or indirect acquisition of, real property or land use rights or personal property (including without limitation, Capital Stock) by the Parent Guarantor or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;
- (23) advances or prepayments to, or advances, prepayments or expenses made or incurred for or on behalf of government authorities or government-affiliated entities, collective economic organizations, existing land or building owners, holders, occupants or lessees, or related agents in the PRC in connection with the financing of primary land development, land resettlement or urban redevelopment plans in the ordinary course of business that are recorded as assets in the Parent Guarantor's balance sheet; and
- (24) any Investment in a subordinated tranche of interests in a Receivable Financing Incurred pursuant to clause (ii) of the definition thereof with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, are necessary or advisable to effect such Receivable Financing.

For the avoidance of doubt, the value of each Investment made pursuant to this clause shall be valued at the time such Investment is made.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Parent Guarantor or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Parent Guarantor or any Restricted Subsidiary;
- (8) Liens arising from the attachment or rendering of a final judgment or order against the Parent Guarantor or any Restricted Subsidiary that does not give rise to an Event of Default;

- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption “– Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of part (2) of the covenant described under the caption entitled “– Limitation on Indebtedness and Preferred Stock”; *provided that* such Liens do not extend to or cover any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) any interest or title of a lessor in the property subject to any operating lease;
- (14) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Parent Guarantor or any Restricted Subsidiary;
- (15) Liens on assets or property of the Parent Guarantor or any Restricted Subsidiary for the purpose of securing any Capitalized Lease Obligation or purchase money Indebtedness permitted to be Incurred under clause (2)(l) of the covenant described under “– Certain Covenants-Limitation on Indebtedness and Preferred Stock”; provided, however, that (i) the Liens do not extend to any property or assets which is not subject to such Capitalized Lease Obligation or purchase money Indebtedness and cover only the equipment, property or assets acquired, developed, constructed or improved with such Indebtedness and (ii) is created prior to, at the time of or within 180 days of such acquisition, development, construction or improvement;
- (16) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims, unemployment insurance or other types of social security and other purposes specified by statute or regulations made in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;
- (17) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (2)(m) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock;”
- (18) Liens on deposits securing letters of credit, trade guarantees or similar instruments (and reimbursement obligations relating thereto) incurred in the ordinary course;
- (19) Liens arising by virtue of any statutory or common law provisions relating to banker’s Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;
- (20) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (21) Liens Incurred on deposits made to secure Entrusted Loans;
- (22) Liens *provided that* the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (22) does not exceed U.S.\$10 million;
- (23) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(p) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock;”



- (24) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(q) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock;”
- (25) Liens granted by the Parent Guarantor or a PRC Restricted Subsidiary in favor of a Trust Company Investor in respect of, and to secure the Indebtedness or Preferred Stock permitted to be Incurred or issued under clause (2)(r) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock;”
- (26) Liens Incurred on bank accounts made to secure Bank Deposit Secured Indebtedness permitted to be Incurred under clause (2)(s) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock;”
- (27) Liens on the Investment Properties to secure Indebtedness Incurred pursuant to clause (2)(t) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock;”
- (28) Liens placed on the Capital Stock of any non-Wholly Owned Subsidiary or joint venture in the form of a transfer restriction, purchase option, call or similar right of a third party joint venture partner;
- (29) Liens on Receivable Financing Assets in respect of a Non-recourse Receivable Financing;
- (30) Liens on current assets securing Indebtedness under Credit Facilities which is permitted to be Incurred under clause (2)(u) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock;” and
- (31) Liens securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (v) of the second paragraph of the covenant under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”.

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Restricted Subsidiaries (other than any Finance Subsidiary) taken as a whole; *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness or issuance of such Preferred Stock, as the case may be (excluding any Indebtedness of any Restricted Subsidiary permitted under clauses (2)(a), (b), (d), (f) and (m) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 15% of the Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding, solely for the purposes of this definition, Hong Kong Special Administrative Region, Macau 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 effective on November 5, 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 most recently amended on November 17, 2017 by the Decision of the State Council on Amending Some Administrative Regulations). Since the Foreign Investment Law of the People’s Republic of China came into force on January 1, 2020, the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures was then abolished. Foreign-funded enterprises are no longer categorized as Wholly Foreign-Owned Enterprises, Sino-foreign Equity Joint Ventures and Sino-foreign Cooperative Joint Ventures. PRC CJV formed under the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures before the Foreign Investment Law of the People’s Republic of China came into force may maintain their original business forms for another five years. The Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures was also replaced by the Regulation for Implementing the Foreign Investment Law of the People’s Republic of China which came into force on January 1, 2020.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Parent Guarantor or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Parent Guarantor or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Parent Guarantor or any Restricted Subsidiary; *provided that*, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Qualified Exchange” means (1) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), or (2) the Shenzhen Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Singapore Exchange Securities Trading Limited or the Nasdaq Stock Market.

“Rating Agencies” means (1) S&P, (2) Moody’s and (3) Fitch, provided that if S&P, Moody’s or Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Parent Guarantor, which shall be substituted for S&P, Moody’s or Fitch, two of any of the three or all three of them, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody’s or Fitch used by another Rating Agency.

“Receivable Financing” means any financing transaction or series of financing transactions that have been or may be entered into by the Parent Guarantor or any Restricted Subsidiary pursuant to which the Parent Guarantor or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any receivables, royalty, other revenue streams or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling securities that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

“Receivable Financing Assets” means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Issuer in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, (1) properties or assets that replace the properties and assets that were the subject of such Asset Sale that are used in a Permitted Business or (2) property or assets (other than current assets) that are used in a Permitted Business, including the Capital Stock of any Person holding such



property or assets that is primarily engaged in a Permitted Business and is or will become, upon the acquisition by the Parent Guarantor or any of its Restricted Subsidiaries of such Capital Stock, a Restricted Subsidiary.

“Restricted Subsidiary” means any Subsidiary of the Parent Guarantor (including the Issuer) other than an Unrestricted Subsidiary.

“S&P” means S&P Global Ratings and its affiliates.

“SAFE” means the State Administration of Foreign Exchange of the PRC.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Parent Guarantor or any Restricted Subsidiary transfers such property to another Person and the Parent Guarantor or any Restricted Subsidiary leases it from such Person.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Securitization Fees” means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

“Significant Restricted Subsidiary” means a Restricted Subsidiary, or group of Restricted Subsidiaries, that would, when taken together, be a “significant subsidiary” within the meaning of the definition of “significant subsidiary” in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; provided that in each instance in such definition in which the term “10 percent” is used, the term “5 percent” shall be substituted therefor.

“Senior Indebtedness” of the Parent Guarantor or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Parent Guarantor or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Issuer, the Notes or (b) in respect of the Parent Guarantor, the Parent Guarantee; *provided that* Senior Indebtedness does not include (1) any obligation to the Parent Guarantor or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Staged Acquisition Agreement” means an agreement between the Parent Guarantor or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Parent Guarantor or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Parent Guarantor or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one instalment over a period of time.

“Standard Non-recourse Receivable Financing Undertakings” means representations, warranties, undertakings, covenants and indemnities entered into by the Parent Guarantor or any Restricted Subsidiary which the Parent Guarantor has determined in good faith to be customary for a seller or servicer of assets in Non-recourse Receivable Financings.

“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 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 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.

“Subordinated Indebtedness” means any Indebtedness of the Issuer or Parent Guarantor, which is contractually subordinated or junior in right of payment to the Notes or the Parent Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subordinated Shareholder Loan” means any loan to the Parent Guarantor from Permitted Holders which (i) is expressly subordinated in right of payment to the Notes or the Parent Guarantee pursuant to a written agreement to such effect, and (ii) does not provide any cash payment of interest.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (1) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (2) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (2) the occurrence of any event as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity, which shall be made in compliance with the covenant under the caption “– Limitation on Restricted Payments.”

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the 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, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of U.S.\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Parent Guarantor) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “F1” (or higher) according to Fitch or “A-1” (or higher) according to S&P;
- (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 Moody’s or Fitch or S&P;
- (6) any money market fund that has at least 95.0% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) (i) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any banks or financial institutions organized under the laws of the PRC or Hong Kong, or (ii) any financial products for which any such bank or financial institutions guarantees or undertake for the return of at least 100% of the principal amount thereof, provided that in the case of (ii) such deposits do not exceed U.S.\$10.0 million (or the Dollar Equivalent thereof) with any single bank or U.S.\$30.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination thereafter; and
- (8) investment products that are principal protected with any bank or financial institution organized under the laws of the PRC or Hong Kong if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months’ notice.

“Total Assets” means, as of any date, the total consolidated assets of the Parent Guarantor and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable

efforts to compile in a timely manner) are available (which may be internal consolidated financial statements); provided that, (1) only with respect to clause (2)(l) of “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Parent Guarantor or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness; (2) only with respect to clause (2)(n) of “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Parent Guarantor as a result of such Person becoming a Restricted Subsidiary; and (3) only with respect to clauses (2)(l), (2)(p), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u) and (2)(v) of “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” covenant, Total Assets as of such last day shall be calculated to give effect to the appraised value of assets classified under the line item “investment properties” appearing under the consolidated balance sheet of such financial statements, to the extent that (a) such appraised value shall be determined by a recognized property valuer that shall be an Independent Third Party, (b) such appraisal shall be made no earlier than six months prior to the date of such last day and (c) such appraisal shall be based on assumptions and estimates that are reasonable and customary, consistent with market practice for real estate developers operating in a similar geographical location, based upon an opinion from an accounting or investment banking firm of recognized international standing.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a financial institution, an insurance or a trust company organized under the laws of the PRC, or an Affiliate thereof, that Invests in any Capital Stock of a PRC Restricted Subsidiary.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Parent Guarantor that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided that* (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided that* Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95.0% or more of the economic benefits distributable by such Subsidiary.

## CERTAIN TAX CONSIDERATIONS

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

### BVI TAXATION

Under existing BVI laws, payments of interest and principal on the New Notes will not be subject to taxation in the BVI and no withholding will be required on the payment of interest and principal to any holder of the New Notes nor will gains derived from the disposal of the New Notes be subject to BVI income or corporation tax, provided that the payments are made to persons who are not resident in the BVI. Under existing BVI laws, the exchange of Old Notes to New Notes or payment or receipt of any consideration or fee in cash will not be subject to taxation in the BVI and no withholding will be required on payment of any Exchange Consideration in cash to any Eligible Holder with respect to the Exchange Offers, provided that the payments are made to persons who are not resident in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to the New Notes or the exchange of Old Notes to New Notes or payment or receipt of any consideration or fee in cash.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Company.

If neither the Company nor any subsidiary holds an interest in real estate in the BVI, no stamp duty is payable in respect of the issue of the New Notes or the exchange of Old Notes to New Notes or on an instrument of transfer in respect of the New Notes.

### PRC TAXATION

#### *Income Tax on Interest and Capital Gains*

The Company has been advised by its PRC legal advisor that there is uncertainty as to whether the Issuer will be treated as a PRC “resident enterprise” for the purpose of the PRC Enterprise Income Tax Law. Under the PRC Enterprise Income Tax Law and the related regulations, if the Issuer is treated as a PRC “resident enterprise” or in the event that the Parent Guarantor is required to perform its obligations under the Parent Guarantee, PRC income tax at a rate of 10% would be required to be withheld from interest payments to holders 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 such establishment or place of business, if such interest is treated as income from sources within the PRC. The PRC Individual Income Tax Law also imposes a withholding tax at the rate of 20% on interest from PRC source paid to non-resident individual holders. In addition, any gain realized on the transfer of the New Notes by such holders would be subject to PRC income tax at the rate of 10% for non-resident enterprise holders or 20% for non-resident individual holders if such gain is regarded as income derived from sources within the PRC. The Company currently takes the position that the Issuer is not a PRC resident enterprise. If the Issuer is treated as a PRC “resident enterprise”, the interest the Issuer pays in respect of the New Notes, and the gain any nonresident holder may realize from the transfer of the New Notes, may be treated as income derived from sources within the PRC and be subject to the PRC tax described above, which may materially and adversely affect the value of investment in the New Notes. Any such PRC tax liability may be reduced by the provisions of an applicable tax treaty. However, there is no assurance that a non-PRC investor will be able to obtain, in practice, the benefits of any applicable tax treaty.

### ***Exchange Offers***

The Issuer takes the position that it is not a PRC tax resident and accordingly does not intend to withhold PRC tax on payments of any interest accrued in respect of the Old Notes.

As described in this exchange offer memorandum, if the Issuer is treated as a PRC tax resident, a disposition of Old Notes may be subject to PRC tax. Therefore no assurance can be given that the exchange of Old Notes pursuant to the Exchange Offers will not be taxable under PRC law.

Eligible Holders and beneficial owners of Old Notes should consult their tax advisers regarding the tax consequences in any jurisdiction of the Exchange Offers generally and in their particular circumstances.

### ***Value Added Tax***

According to Circular 36 issued jointly by the MOF and SAT on March 23, 2016 and partly amended by the MOF, SAT and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, business tax was replaced by value-added tax from May 1, 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, value-added tax. According to Circular 36, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to value-added tax include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of New Notes may be treated as though holders of the New Notes are providing loans to the Issuer, which may be regarded as financial services subject to the value-added tax.

It is also not clear from the interpretation of Circular 36 if the provision of loans to the Issuer could be considered services provided within the PRC, in order to be regarded as the provision of financial services that could be subject to VAT. As there is no assurance that the Issuer will not be treated as “resident enterprises” under the EIT Law, PRC tax authorities could take the view that the holders of the New Notes are providing loans within the PRC because the Issuer is treated as a PRC tax resident. In such case, the issuance of the New Notes could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the Issuer is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the New Notes are providing loans within the PRC, or if the interest component of the amount paid by the Parent Guarantor to the holders of the New Notes under the Parent Guarantee is viewed as interest income arising within the territory of the PRC, the holders of the New Notes would be subject to the value-added tax at the rate of 6% when receiving the interest payments or Parent Guarantee payments under the New Notes or Parent Guarantee, as the case may be. Given that the Issuer or the Parent Guarantor makes payments to the holders of the New Notes who are located outside of the PRC, the Issuer or the Parent Guarantor, acting as the obligatory withholding in accordance with applicable law, would withhold the value-added tax from the payment of interest income or under the Parent Guarantee to holders of the New Notes who are located outside of the PRC.

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

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

### ***Stamp Duty***

No PRC stamp tax will be chargeable upon the issue or transfer of a New Note (for so long as the register of holders of the New Notes is maintained outside the PRC and the sale of the New Notes is made outside of the PRC, as is expected to be the case).

## **Hong Kong Taxation**

### ***Withholding Tax***

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

### ***Profits Tax***

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

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

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

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds 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 Bonds will be subject to Hong Kong profits tax.

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

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

### ***Stamp Duty***

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the New Notes.

## TRANSFER RESTRICTIONS

*Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Additional New Notes, including the Additional Parent Guarantee (collectively, the “Securities”).*

The Securities are subject to restrictions on transfer as summarized below. By exchanging the Securities, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Dealer Managers:

1. You understand and acknowledge that:
  - the Securities have not been registered under the Securities Act or any other applicable securities laws;
  - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
  - the Securities are being offered and sold only outside the United States to non-U.S. Persons (as defined in Regulation S) in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
  - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Dealer Managers nor any person representing us or the Dealer Managers has made any representation to you with respect to us, the Exchange Offers or the offering of the Securities, other than the information contained in this exchange offer memorandum. You represent that you are relying only on this exchange offer memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Securities 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 Securities in violation of the Securities Act. You represent that you (and any person on whose behalf you are acting) are Professional Investors.
5. acknowledge that each Security will contain a legend substantially to the following effect.

**THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER’S AND**

THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

THIS TEMPORARY GLOBAL NOTE WILL BE EXCHANGED IN WHOLE FOR A PERMANENT GLOBAL NOTE, UPON THE LATER OCCURRENCE OF THE SAFE COMPLETION EVENT WITH RESPECT TO THE ORIGINAL NOTES AND SUCH ADDITIONAL NOTES (AS DEFINED IN THE INDENTURE). AFTER THE EXCHANGE, THE HOLDER OF THIS TEMPORARY GLOBAL NOTE WILL NOT BE ENTITLED TO RECEIVE ANY PAYMENT OF INTEREST HEREON.

6. You acknowledge that the Permanent Global Note for each Additional New Notes will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

7. You acknowledge that we, the Dealer Managers, the New Notes Trustee, the New Notes Agents 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 Securities is no longer accurate, you will promptly notify us, the Dealer Managers, the New Notes Trustee and the New Notes Agents. If you are purchasing any Securities 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.



## **SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS**

Our consolidated financial statements incorporated by reference into this exchange offer memorandum have been prepared and presented in accordance with PRC GAAP. Certain differences exist between PRC GAAP and IFRS which might be relevant to our financial information included herein.

The following is a general summary of certain differences between PRC GAAP and IFRS as applicable to us. The differences identified below are limited to those significant differences that are appropriate to our financial statements. We are responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the summary.

We have not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and have not quantified such differences. Had any such quantification or reconciliation been undertaken by us, other potentially significant accounting and disclosure differences may be required that are not identified below. In addition, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standard.

Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects on-going that could affect future comparisons such as this one. Furthermore, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. As a result, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete.

In making an investment decision, you must rely upon your own examination of our financial information, the terms of the offering and other disclosure contained herein.

### **Accounting Year**

Under PRC GAAP, the accounting year shall run from January 1 to December 31.

IFRS requires financial statements to be presented at least annually. However, it does not specify the start or end of the financial reporting period and permits an entity to change its reporting date.

### **Format of Financial Statements and Items Presented**

PRC GAAP contains detailed requirements on the format of financial statements and the items to be presented.

IFRS sets out overall principles and minimum line items to be presented but does not prescribe the formats in detail.

### **Classification of Expenses in the Income Statement/Statement of Comprehensive Income**

Under PRC GAAP, expenses must be classified based on their function in the income statement.

Under IFRS, enterprises may classify expenses either based on the nature of the expenses or their function in the statement of comprehensive income, depending on which format is considered reliable and more relevant.

### **Statement of Cash Flows**

Under PRC GAAP, the direct method together with a supporting note reconciling operating result to cash flows arising from operations is the only permitted method.

Under IFRS, enterprises can choose whether to present cash flows from operating activities using the direct method or indirect method. Typically, entities reporting under IFRS use the indirect method.

### **Accounting for Business Combinations Involving Entities under Common Control**

Under PRC GAAP, business combinations involving entities under common control shall be accounted for using a method of accounting similar to the pooling of interests method.

IFRS provides a definition of “Business combinations involving enterprises under common control.” However, it uses this definition to scope out such business combinations from the requirements of IFRS and does not contain any alternative detailed accounting rules for such transactions.

In practice, divergent accounting treatments exist under IFRS. For example, some enterprises refer to generally accepted accounting principles in the United States, which is similar to PRC GAAP in principle. However, other enterprises apply the accounting treatments of business combinations not involving enterprises under common control as set out in IFRS.

### **Non-Controlling Interest/Minority Interest**

Under PRC GAAP, the acquirer should always recognize the minority interest at the minority shareholders’ proportionate interest in the acquiree’s identifiable net assets.

Under IFRS, the acquirer can choose, on an acquisition by acquisition basis, whether to measure components of non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

### **Fixed Assets and Intangible Assets**

Under PRC GAAP, only the cost model is permitted.

Under IFRS, an enterprise should make a policy choice, on a class by class basis, to carry items of property, plant and equipment held for own use using either the cost model or the revaluation model.

### **Borrowing Costs Eligible for Capitalization**

Under PRC GAAP all exchange differences arising from the retranslation of the principal and interest of a specific foreign currency borrowing are eligible for capitalization.

Under IFRS, borrowing costs eligible for capitalization include exchange differences arising from foreign currency borrowings only to the extent that they represent an adjustment to interest costs.

### **Impairment of Assets (Including Long-Term Assets Measured At Historical Cost, Such As Fixed Assets and Intangible Assets, and Assets Held For Sale)**

Under PRC GAAP, once an impairment loss is recognized, it shall not be reversed in a subsequent period.

Under IFRS, impairment losses recognized in prior periods for an asset other than goodwill should be reversed when the recoverable amount of the asset increases as a result of a change in estimates.

## **LEGAL MATTERS**

Certain legal matters with respect to the Exchange Offers will be passed upon for us by King & Wood Mallesons as to matters of United States federal and New York law, JunHe LLP as to matters of PRC law and Walkers (Hong Kong) as to matters of BVI law. Certain legal matters will be passed upon for the Dealer Managers by Davis Polk & Wardwell as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

## **GENERAL INFORMATION**

### **Consents**

All necessary consents, approvals and authorizations have been obtained in the PRC and the BVI in connection with the issue and performance of the Additional New Notes, and the execution and delivery of the Parent Guarantee. The issue of the Additional New Notes was authorized by resolutions of the sole director of the Issuer on June 23, 2022. The entering into and performance of the Additional Parent Guarantee has been authorized by a resolution and a supplemental resolution of the Company's Board of Directors dated April 22, 2022 and May 23, 2022 respectively and the Company's shareholders' meeting on May 17, 2022.

### **Documents Available**

For so long as any of the New Notes are outstanding, upon prior written request and satisfactory proof of holding, copies of the New Notes Indenture may be inspected during normal business hours on any weekday (except public holidays) at the corporate trust office of the New Notes Trustee.

### **Clearing System and Settlement**

The Original New Notes have been accepted for clearance through the facilities of Euroclear and Clearstream under the Common Code number 248444878 and the International Securities Identification Number for Notes is XS2484448787. The Additional New Notes have been accepted for clearance through the facilities of Euroclear and Clearstream under the temporary Common Code number \_\_\_\_\_ and the temporary International Securities Identification Number for the Additional New Notes is XS \_\_\_\_\_. Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream. The Legal Entity Identifier of the Issuer is 3003003UPHPYKRFXNT08.

### **Listing of the New Notes**

The Original New Notes are listed and quoted on the SGX-ST. Application will be made to the SGX-ST for the listing of and quotation for the Additional New Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. The New Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) for so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall 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 Note (as defined herein) is exchanged for definitive New Notes. In addition, an announcement of such exchange shall be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive New Notes, including details of the paying agent in Singapore.

### **Litigation**

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

### **No Material Adverse Change**

Except as disclosed in this exchange offer memorandum, there has been no material adverse change in our financial condition, business operations or prospects since December 31, 2021.

Questions about the terms of the Exchange Offers should be directed to the Dealer Managers or the Information and Exchange Agent at their respective addresses and telephone numbers set forth below.

If you have questions regarding tender or exchange procedures, please contact the Information and Exchange Agent at the address and telephone number set forth below.

All documents of materials related to the Exchange Offers will be made available, subject to eligibility, on the Exchange Website.

Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee for assistance concerning the Exchange Offers.

The Information and Exchange Agent for the Exchange Offers is:

**D.F. King Ltd.**

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London EC2V 7NQ  
United Kingdom  
Telephone: +44 20 7920 9700

*In Hong Kong:*

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28 Queen's Road Central  
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Telephone: +852 3953 7208

Email: [zhongnan@dfkingltd.com](mailto:zhongnan@dfkingltd.com)

Exchange Website: <https://sites.dfkingltd.com/zhongnan>

The Dealer Managers for the Exchange Offers are:

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Company Limited**

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