

香港交易及結算所有限公司及香港聯合交易所有限公司對本公告及上市文件的內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示，概不對因本公告及上市文件全部或任何部份內容而產生或因依賴該等內容而引致的任何損失承擔任何責任。

本公告及上市文件僅供參考之用，並不構成收購、購買或認購本公告及上市文件所述證券的邀請或要約。

本公告及上市文件並非亦不擬作為於美國或其他地方要約出售證券或招攬購買證券的要約。本公告及上市文件所述證券概無及將不會根據經修訂的一九三三年美國證券法（「證券法」）或美國任何州或其他司法管轄權區的證券法登記，除根據證券法及適用州或地方證券法獲豁免或屬不受該等登記規定所規限的交易外，證券不可在美國境內（定義見證券法S規例）提呈發售或出售。本公告及上市文件不得直接或間接在或向美國派發。本公告及上市文件所述證券不可且將不會在美國提呈公開發售。

本公告及本文所述上市文件乃按聯交所證券上市規則規定的僅作資料用途而刊發，並不構成提呈出售任何證券的要約或招攬購買任何證券。本公告及其任何內容（包括上市文件）並非任何合約或承諾的依據。為免生疑，刊發本公告及本文所述的上市文件不應被視為就香港法例第32章公司（清盤及雜項條文）條例而言根據發行人或代其刊發的招股章程提出的證券發售建議，亦概不構成就香港法例第571章證券及期貨條例而言的廣告、邀請或文件，其中載有向公眾人士的邀約，訂立或建議訂立有關購買、出售、認購或包銷證券的協議。

星旅有限公司

(於英屬維爾京群島註冊成立的有限公司)

(「發行人」)

將於二零二六年到期**250,000,000**美元零息有擔保可換股債券

(股份代號：**40722**)

(「債券」)

由



遠東宏信有限公司
FAR EAST HORIZON LIMITED

(於香港註冊成立的有限公司)

(股份代號：**3360**)

(「擔保人」)

提供無條件及不可撤回擔保

刊發發售通函

本公告乃根據香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）第37.39A條刊發。

請參閱本公告隨附日期為二零二一年六月九日有關發行債券的發售通函(「發售通函」)。誠如發售通函所披露，債券擬僅供專業投資者(定義見上市規則第37章)購買，並已按此基準於聯交所上市。因此，發行人及擔保人確認債券不適合作為香港散戶投資者的投資。投資者應審慎考慮所涉及的風險。

發售通函並不構成向任何司法權區的公眾人士提呈出售任何證券的招股說明書、通告、通函、宣傳冊或廣告，亦非邀請公眾人士提呈認購或購買任何證券的要約，且並非供分發以邀請公眾人士提出認購或購買任何證券的要約。

發售通函不應被視為認購或購買任何證券的勸誘，亦無意作出有關勸誘。任何投資決定不應以發售通函所載資料為依據。

香港，二零二一年六月十六日

於本公告日期，發行人董事為王明哲先生。

於本公告日期，擔保人執行董事為孔繁星先生及王明哲先生；擔保人非執行董事為寧高寧先生(主席)、楊林先生、劉海峰先生、郭明鑑先生及羅強先生；以及擔保人獨立非執行董事為蔡存強先生、韓小京先生、劉嘉凌先生及葉偉明先生。

IMPORTANT NOTICE

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

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the “**Offering Circular**”). You are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, 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. In order to review this Offering Circular or make an investment decision with respect to the securities referred to herein, you must not be located in the United States.

Confirmation of Your Representation: This Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited, UBS AG Hong Kong Branch and DBS Bank Ltd. (the “**Managers**”) that (1) you are not in the United States and, to the extent you purchase the securities described in the attached Offering Circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1993, as amended (the “**Securities Act**”) (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, (3) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission, (4) you (and any nominee and any person on whose behalf you are subscribing for the securities to which the attached Offering Circular relates) are not a “connected person” (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of the issuer or the guarantor, which includes but is not limited to any director, chief executive or substantial shareholder of the issuer or the guarantor or any of their respective subsidiaries or any associate of any of them within the meaning of the Listing Rules, and (5) you (and any nominee and any person on whose behalf you are subscribing for the securities to which the attached Offering Circular relates) are, and will immediately after completion of the offering of such securities be, independent of and not acting in concert with, any of such connected persons in relation to the control of the issuer and the guarantor.

The attached Offering Circular 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 Managers, the Trustee or the Agents (each as defined in the Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls any of them nor any of their respective 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.

Restrictions: The Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein. You are reminded that the information in the attached Offering Circular is not complete and may be changed.

THE SECURITIES DESCRIBED HEREIN 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 JURISDICTION AND THE SECURITIES DESCRIBED HEREIN MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT THE SECURITIES ACT. NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the issuer or guarantor of the securities described herein or the Managers, the Trustee or the Agents to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this 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 AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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

Universe Trek Limited 星旅有限公司

(incorporated in the British Virgin Islands with limited liability)

U.S.\$250,000,000 Zero Coupon Guaranteed Convertible Bonds due 2026

unconditionally and irrevocably guaranteed by



遠東宏信有限公司
FAR EAST HORIZON LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 3360)

Issue Price: 100.00 per cent.

The U.S.\$250,000,000 in aggregate principal amount of zero coupon guaranteed convertible bonds due 2026 (the "Bonds", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with the terms and conditions of the Bonds set out in "Terms and Conditions of the Bonds" (the "Conditions" and each of the Conditions, a "Condition") and consolidated and forming a single series therewith) will be issued by Universe Trek Limited 星旅有限公司 (the "Issuer"), an indirect wholly-owned subsidiary of Far East Horizon Limited. (the "Guarantor"). The due payment of all sums expressed to be payable by the Issuer and the due performance by the Issuer of its obligations under the Trust Deed (as defined in the Conditions) and the Bonds will be unconditionally and irrevocably guaranteed (the "Guarantee") by the Guarantor. The issue price of the Bonds shall be 100.00 per cent. of the aggregate principal amount of the Bonds and the denomination of each Bond shall be U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The Bonds will, upon issue, constitute direct, unconditional, unsubordinated and (subject to Condition 4 of the Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* among themselves. The payment obligations of the Issuer under the Bonds and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4(a) of the Conditions, at all times rank at least equally with all of their respective other present and future unsecured and unsubordinated obligations.

Each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 26 July 2021 up to and including 3:00 p.m. on the 10th day prior to the Maturity Date (as defined below) (both days inclusive) into fully paid ordinary shares of the Guarantor (the "Shares") at an initial conversion price of HK\$10.20 per Share (the "Conversion Price"). The Conversion Price is subject to adjustment in the circumstances described under "Terms and Conditions of the Bonds – Conversion". The Closing Price (as defined in the Conditions) of the Shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 27 May 2021 was HK\$8.88 per Share.

Unless previously redeemed, converted or purchased and cancelled, the Issuer will redeem each Bond at 110.46 per cent. of its principal amount on 15 June 2026 (the "Maturity Date"). The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the date specified in the Tax Redemption Notice (as defined in the Conditions) for redemption at the Early Redemption Amount, in the event of certain changes to the laws or regulations of the British Virgin Islands, Hong Kong or any political subdivision thereof or any authority thereof or therein having power to tax becoming effective on or after 27 May 2021, subject to the non-redemption option of each Bondholder after the exercise by the Issuer of its tax redemption option as described in the Conditions. The Issuer may redeem in whole, but not in part, the Bonds for the time being outstanding at the Early Redemption Amount (i) at any time after 6 July 2024 and prior to the Maturity Date provided that the Closing Price of the Shares (derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange and translated into U.S. dollars at the Prevailing Rate (as defined in the Conditions)) for each of 20 out of 30 consecutive Trading Days, the last of which occurs not more than 10 Trading Days prior to the date upon which notice of such redemption is published, was at least 125 per cent. of the applicable Early Redemption Amount for each Bond divided by the Conversion Ratio then in effect; or (ii) may at any time prior to the Maturity Date provided that prior to the date on which the Issuer gives a redemption notice at least 90 per cent. in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled (capitalised terms each as defined in the Conditions). The Issuer will, at the option of the holder of any Bond redeem all or some only of such holder's Bonds on 15 June 2024 at 106.15 per cent. of their principal amount. The holder of each Bond will also have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Redemption Date at the Early Redemption Amount following the occurrence of (i) the Shares ceasing to be listed or admitted to trading or being suspended for trading for a period equal to or exceeding 30 consecutive Trading Days on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange; or (ii) a Change of Control (capitalised terms each as defined in the Conditions). See "Terms and Conditions of the Bonds – Redemption and Purchase".

For a detailed description of the Bonds, see "Terms and Conditions of the Bonds".

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Bonds 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"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds 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 Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, 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 the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in 309A of the SFA) that the Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

Application has been made to the Hong Kong Stock Exchange for (i) the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Professional Investors") only; and (ii) the listing of, and permission to deal in, the Shares issuable on conversion, and such permissions are expected to become effective on 16 June 2021 and when such Shares are issued, respectively. This Offering Circular is for distribution to Professional Investors only.

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

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the Hong Kong Stock Exchange in not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or the Guarantor, or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Investing in the Bonds involves risks. Furthermore, investors should be aware that the Bonds are convertible into the Shares which involve risks relating to such Shares and that there are various other risks relating to the Bonds, the Issuer, the Guarantor and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds. See "Risk Factors" beginning on page 11 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds, the Guarantee and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or other securities laws and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale".

The Bonds will be represented by beneficial interests in a global Bond certificate (the "Global Bond Certificate") in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about 15 June 2021 (the "Issue Date"), with a common depositary for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Bond Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Bond Certificate, definitive certificates for Bonds will not be issued in exchange for interests in the Global Bond Certificate.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners



(in alphabetical order)

Joint Lead Manager and Joint Bookrunner



The date of this Offering Circular is 9 June 2021

NOTICE

This Offering Circular 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 Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the Issuer's or the Guarantor's affairs since the date of this Offering Circular or that the information contained in this Offering Circular is correct as at any time after that date.

This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer, the Guarantor and the Bonds. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquires, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that: (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and their respective subsidiaries and affiliates (collectively, the “**Group**”) and to the Guarantee, the Shares and the Bonds which is material in the context of the issue and offering of the Bonds; (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor and to the Group are in every material particular true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group or the Guarantee, the Shares or the Bonds the omission of which would, in the context of the issue and offering of the Bonds make any statement in this Offering Circular misleading in any material respect; and (v) each of the Issuer and the Guarantor has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. Each of the Issuer and the Guarantor accepts responsibility accordingly.

This Offering Circular is highly confidential. The Issuer and the Guarantor are providing it solely for the purpose of enabling the investors to consider a purchase of the Bonds. Investors should read this Offering Circular before making a decision whether to purchase the Bonds. Investors must not use this Offering Circular for any other purpose, or disclose any information in this Offering Circular to any other person.

The Issuer and the Guarantor have prepared this Offering Circular and are jointly and severally responsible for its contents. Investors are responsible for making their own examination of the Group and their own assessment of the merits and risks of investing in the Bonds. By purchasing the Bonds, investors will be deemed to have acknowledged that they have made certain acknowledgements, representations and agreements as set forth under the section entitled “*Subscription and Sale*” below.

No representation or warranty, express or implied, is made by China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited, UBS AG Hong Kong Branch (the “**Joint Global Coordinators**”) and DBS Bank Ltd. (together with the Joint Global Coordinators, the “**Managers**”), the Trustee, the Agents (each as defined in the Conditions) or any of their holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers (or any person who controls any of them) as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers, the Trustee, the Agents or any of their holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers (or any person who controls any of them). None of the Managers, the Trustee, the Agents or any of their holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers (or any person who controls any of them) has independently verified any of the information contained in this Offering Circular and none of them can give any assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Guarantor, the Managers, the Trustee or the Agents (or any of their holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers (or any person who controls any of them)) that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary. To the fullest extent permitted by law, none of the Managers, the Trustee, the Agents or any of their holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers (or any person who controls any of them) accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Managers, the Trustee or the Agents (or any of their holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers (or any person who controls any of them)) or on any of their behalf in connection with the Group, the Bonds, the Guarantee or the Shares. Each of the Managers, the Trustee, the Agents and their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives and advisers (and any person who controls any of them) accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

In making an investment decision, investors must rely on their own examination of the Group and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that: (i) such person has been afforded an opportunity to request from the Issuer and the Guarantor 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 Managers, the Trustee or the Agents or any of their holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers (or any person who controls any of them) in connection with any investigation of the accuracy of such information or its investment decision; (iii) no person has been authorised to give any information or to make any representation concerning the Group, the Bonds, the Guarantee or the Shares (other than as contained herein and information given by the Issuer’s or the Guarantor’s duly authorised officers and employees in connection with investors’ examination of the Group and the terms of the offering of the Bonds) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Managers, the Trustee or the Agents, or any of their holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers (or any person who controls any of them); (iv) such person (and any nominee and any person on whose behalf such person is subscribing for the Bonds) is not a “connected person” (as defined in the Listing Rules) of the Issuer or the Guarantor, which includes but is not limited to any director, chief executive or substantial shareholder of the Issuer or the Guarantor or any of their respective subsidiaries or any associate of any of them within the meaning of the Listing Rules; and (v) such person (and any nominee and any person on whose behalf such person is subscribing for the Bonds) is, and will immediately after completion of the offering of the Bonds be, independent of and not acting in concert with, any of such connected persons in relation to the control of the Issuer or the Guarantor.

None of the Issuer, the Guarantor or the Managers is making an offer to sell the Bonds, in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Circular and the offering of the Bonds may in certain jurisdictions be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see “*Subscription and Sale*” below.

Neither the Issuer nor the Guarantor is making any representation to the investors regarding the legality of an investment in the Bonds by the investors under any legal, investment or similar laws or regulations. Investors should not consider any information in this Offering Circular to be legal, business or tax advice. Investors should consult their own professional advisers for legal, business, tax and other advice regarding an investment in the Bonds.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Bonds 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**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds 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 Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, 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 the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “**SFA**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in 309A of the SFA) that the Bonds are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this Offering Circular using a number of conventions, which the investors should consider when reading the information contained herein. References in this Offering Circular to “we”, “us”, “our” and “ours” and similar terms refer to the business and operations of the Group, taken as a whole.

Unless otherwise specified or the context requires, references herein to “HK dollar(s)” and “HK\$” are to the Hong Kong dollar, the lawful currency of Hong Kong; references herein to “RMB” and “Renminbi” are to the Renminbi, the lawful currency of the PRC; references herein to “U.S. dollar(s)” and “U.S.\$” are to the United States dollar, the lawful currency of the United States of America (the “United States” or the “U.S.”).

References to the “PRC” or “China” for the purposes of this Offering Circular are to the People’s Republic of China, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan.

References in this Offering Circular to accounting periods are based on the Guarantor’s fiscal year, which ends on 31 December.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this Offering Circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.5250 to U.S.\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on 31 December 2020. All such translations in this Offering Circular 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 at any particular rate or at all. For further information relating to the exchange rates, see the section entitled “Exchange Rates”.

In this Offering Circular, because certain amounts have been rounded, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items, and actual numbers may differ from those contained herein due to rounding.

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

FORWARD-LOOKING STATEMENTS

This Offering Circular includes “forward-looking statements”. All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “will”, “may”, “anticipate”, “seek”, “should”, “estimate”, “target” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause its actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;

- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- various business opportunities that we may pursue; and
- those other risks identified in the “*Risk Factors*” section of this Offering Circular.

Any forward-looking statement speaks only as at the date on which it is made, and we do not undertake any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

INCORPORATION BY REFERENCE

The following documents filed with the Hong Kong Stock Exchange are deemed to be incorporated by reference into, and to form part of, this Offering Circular:

- (a) the Group's audited annual consolidated financial statements as at and for the financial years ended 31 December 2019 and 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”); and
- (b) the auditor's reports in respect of such annual consolidated financial statements, which have been audited by Ernst & Young, Certified Public Accountants in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Each document incorporated herein by reference is current only as at the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the affairs of the Issuer, the Guarantor and the Group, as the case may be, since the date thereof or that the information contained therein is current as at any time subsequent to its date. Any statement contained therein shall be deemed to be modified or superseded for the purposes of this Offering Circular to the extent that a subsequent statement contained in another incorporated document herein modifies or supersedes that statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes.

The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

The documents incorporated herein by reference are available electronically through the internet from the Hong Kong Stock Exchange.

Prospective investors are advised to obtain and read the documents incorporated by reference herein before making their investment decision.

CONTENTS

	Page
SUMMARY	1
THE OFFERING	3
SUMMARY CONSOLIDATED FINANCIAL INFORMATION	8
RISK FACTORS	11
USE OF PROCEEDS	36
CAPITALISATION AND INDEBTEDNESS	37
DESCRIPTION OF THE ISSUER	38
DESCRIPTION OF THE GUARANTOR	39
DIRECTORS	74
SUBSTANTIAL SHAREHOLDERS	78
DIVIDENDS	80
TERMS AND CONDITIONS OF THE BONDS	81
MARKET PRICE INFORMATION	110
EXCHANGE RATES	111
DESCRIPTION OF THE SHARES	112
PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM	121
TAXATION	123
SUBSCRIPTION AND SALE	125
GENERAL INFORMATION	129

SUMMARY

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

The Group is one of China's leading innovative financial service companies, specialised in providing (i) customised financing solutions, through equipment-based financial leasing, and (ii) extended value-added services to customers in targeted major industries in China. International Far Eastern Financial Leasing Co., Ltd., the Group's major operating subsidiary for its leasing business, has 29 years of operating history since its establishment. Other principal operating subsidiaries include Far East Horizon (Tianjin) Financial Co., Ltd., Far East Horizon Financial Leasing Co., Ltd. and Shanghai Horizon Construction Development Co., Ltd. In 2000, Sinochem Group and its subsidiaries acquired control of the Group, and in 2001, the Group's operating centre was relocated from Shenyang to Shanghai to establish its market position and enhance its business contacts within China's financial, trade and transportation hub.

The Group's current business mainly concentrates in the following nine major industries:

- Healthcare – this industry business segment mainly provides financial leasing, advisory and trading services for public and private hospitals throughout China. This business segment ceases to provide services to pharmaceutical manufacturing enterprises and medical equipment manufacturing enterprises when compared to 2018.
- Culture & tourism – this industry business segment mainly focuses on educational institutions and cultural venues. The leased educational equipment mainly comprises information technology equipment, laboratory equipment and practical training equipment. Relying on industry knowledge and close relationship with the clients, the Group extends its service to advisory services (e.g. working capital and cash flow management consulting) as well as management consulting services (e.g. national policy analysis).
- Engineering construction – this industry business segment mainly provides infrastructure construction equipment financial leasing services to mid-to-high-end construction companies within China. In light of China's rapidly developing urbanisation and increasing demand for the construction of basic infrastructure, the Group extended its services to three major sectors of the construction industry, namely construction, construction materials, electric power production and supply.
- Machinery – this industry business segment mainly provides machinery equipment financial leasing services for manufacturing companies in China with a primary focus on automobile parts producers, with the aim of achieving sustainable growth and technology enhancement in the Chinese manufacturing industry.
- Chemical & medicine – this industry business segment mainly offers equipment financial leasing services for various chemical industries in China, primarily focusing on chemical companies and pharmaceutical manufacturing.
- Electronic information – this industry business segment mainly includes the segment sectors of the electronic information manufacturing, information technology application, and information transportation and services.
- Livelihood & consumption – this industry business segment involves the segment sectors of manufacturing, packaging, food, textile and light industry and commercial and retail industries.
- Transportation & logistics – this industry business segment mainly includes the segment sectors of the transportation infrastructure, transportation services, transportation extension services, materials and trading, farming, forestry, animal husbandry and fishery and green ecology industries.
- Urban public utility – this industry business segment mainly includes the segment sectors of urban infrastructure construction, urban operation and municipal services.

Competitive Strengths

The Group has capitalised on China's robust economic growth by strategically focusing on selected industries which have been expanding as China's economy grows.

The Group has developed a distinctive business model providing customised and integrated financial services to target industries by leveraging its established industry expertise and thorough understanding of its customers' specific needs.

The Group is a market leader in China's financial leasing industry and has an extensive customer base.

The Group has an experienced, stable and cohesive management team and qualified staff with proven track record and a performance-based corporate culture.

The Group has diversified and sustainable funding sources to support its business growth and has strong capabilities in managing its funding risks.

Business Strategies

Capitalising on growth opportunities of China's financial leasing market.

Expanding the Group's customer base and achieving deeper market penetration within its existing target industries through focused sales and marketing efforts and the expansion of its existing services.

Diversifying services portfolio in China to enhance the Group's value-adding capabilities.

Continue to optimise funding sources, minimise funding cost and effectively manage funding risks.

Continue to strengthen risk management capabilities.

Continue to select, develop, motivate and retain a talented and professional workforce.

Recent Developments

The Group has continued to enhance its operating capabilities and management level, as well as its comprehensive service capabilities. For the three months ended 31 March 2021, the Group's operating income and profit attributable to shareholders of ordinary shares increased by more than 30% and approximately 30%, respectively, as compared with the same period in 2020.

As at 18 January 2021, all the outstanding U.S.\$200,000,000 in aggregate principal amount of zero coupon guaranteed convertible bonds issued by the Issuer on 4 December 2020 with a due date on 4 December 2025 had been fully converted into ordinary shares of the Guarantor in accordance with the terms and conditions of the zero coupon Bonds. Accordingly, there were no outstanding zero coupon bonds in issue as at 18 January 2021. The Issuer and the Guarantor have withdrawn the listing of the zero coupon bonds from the Hong Kong Stock Exchange. In March 2021, the Guarantor issued U.S.\$500,000,000 2.625 per cent. notes due 2024 under a U.S.\$4,000,000,000 medium term note and perpetual securities programme.

THE OFFERING

The following contains summary information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Bonds” and “Provisions relating to the Bonds in Global Form” shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see “Terms and Conditions of the Bonds” in this Offering Circular.

Issuer	Universe Trek Limited 星旅有限公司
Guarantor	Far East Horizon Limited
Issue	U.S.\$250,000,000 in aggregate principal amount of zero coupon guaranteed convertible bonds due 2026, convertible into the Guarantor’s fully-paid ordinary shares.
Issue Price	100.00 per cent. of the principal amount of the Bonds.
Issue Date	15 June 2021
Maturity Date	15 June 2026
Form and Denomination	The Bonds will be issued in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Guarantee	The due payment of all sums expressed to be payable by the Issuer and the due performance by the Issuer of its obligations under the Trust Deed and the Bonds will be unconditionally and irrevocably guaranteed by the Guarantor.
Status	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Conditions) unsecured obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves. The payment obligations of the Issuer under the Bonds and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4 of the Conditions, at all times rank at least equally with all of their respective other present and future unsecured and unsubordinated obligations.
Negative Pledge	For so long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and the Issuer and the Guarantor will ensure that none of their respective Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to such Bond the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution of the Bondholders.

Conversion Period At any time (subject to and upon compliance with the Conditions) (a) on or after 26 July 2021 up to and including 3:00 p.m. (at the place where the Certificate evidencing such Bond is deposited for conversion) on the 10th day prior to the Maturity Date (both days inclusive), (b) if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to and including 3:00 p.m. (at the place aforesaid) on a date no later than 15 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by such Bondholder pursuant to Condition 8(d) or Condition 8(e) of the Conditions, then up to and including 3:00 p.m. (at the place aforesaid) on the day prior to the giving of such notice. See “*Terms and Conditions of the Bonds – Conversion – Conversion Right – Conversion Period*”.

Conversion Price HK\$10.20 per Share, subject to adjustment for, among other things, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than Current Market Price, other issues at less than Current Market Price, modification of rights of conversion, other offers to Shareholders and other events as described in Condition 6(c) of the Conditions.

Redemption for Taxation Reasons The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 16 of the Conditions (which notice shall be irrevocable) and in writing to the Trustee and the Principal Agent at the Early Redemption Amount, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (1) the Issuer (or if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of any Relevant Tax Jurisdiction (as defined in Condition 9), or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 27 May 2021, and (2) such obligation cannot be avoided by the Issuer (or as the case may be, the Guarantor) taking reasonable measures available to it, *provided that* no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or as the case may be, the Guarantor) would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

If the Issuer gives a Tax Redemption Notice pursuant to Condition 8(b)(i) of the Conditions, each Bondholder will have the right to elect that its Bond(s) shall not be redeemed and that the provisions of Condition 9 of the Conditions shall not apply in respect of any payment to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 9 of the Conditions and payment of all amounts shall be made subject to the deduction or withholding of any tax required to be deducted or withheld.

Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days’ notice to the Bondholders in accordance with Condition 16 of the Conditions (which notice will be irrevocable) and in writing to the Trustee and the Principal Agent, the Issuer:

- (i) may at any time after 6 July 2024 and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at the Early Redemption Amount, **provided that** the Closing Price of the Shares (derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange and translated into U.S. dollars at the Prevailing Rate) for each of 20 out of 30 consecutive Trading Days, the last of which occurs not more than 10 Trading Days prior to the date upon which notice of such redemption is published, was at least 125 per cent. of the applicable Early Redemption Amount for each Bond divided by the Conversion Ratio then in effect; or
- (ii) may at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at the Early Redemption Amount, **provided that** prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.

Redemption at the Option of the Bondholders

The Issuer will, at the option of the holder of any Bond, redeem all or some only of such holder’s Bonds on 15 June 2024 (the “**Put Option Date**”) at 106.15 per cent. of their principal amount. To exercise such option, the holder must deposit at the specified office of any Paying Agent a duly completed and signed put notice in the form for the time being current, obtainable from the specified office of any Paying Agent, together with the Certificate evidencing the Bonds to be redeemed not more than 60 days and not less than 30 days prior to the Put Option Date.

Redemption for Delisting or change of Control.

If at any time (i) the Shares cease to be listed or admitted to trading or are suspended for trading for a period equal to or exceeding 30 consecutive Trading Days on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange; or (ii) a Change of Control occurs, the holder of each Bond will have the right at such holder’s option, to require the Issuer to redeem all or some only of such holder’s Bonds on the Relevant Event Redemption Date at the Early Redemption Amount.

Company Lock up	Each of the Issuer and the Guarantor has agreed in the Subscription Agreement that neither the Issuer, the Guarantor nor any person acting on behalf of any of them will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent (which could be by letter or by e-mail) of the majority of the Joint Global Coordinators between the date hereof and the date which is 90 calendar days after the later of the Issue Date except for (i) the Bonds and the New Shares issued on conversion of the Bonds, (ii) the Shares issued or options granted pursuant to the share option schemes disclosed in the annual report of the Guarantor for the year ended 31 December 2020 and (iii) the Shares issued upon the conversion of the U.S.\$300,000,000 in aggregate principal amount of 2.50 per cent. guaranteed convertible bonds due 2025 issued on 8 July 2020 by the Issuer, which is guaranteed by the Guarantor.
Events of Default	For a description of certain events of default that will permit the Bonds to become immediately due and payable at the Early Redemption Amount and accrued default interest (if any), see “ <i>Terms and Conditions of the Bonds – Events of Default</i> ”.
Clearing Systems	The Bonds will be represented by beneficial interests in the Global Bond Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Bond Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described the Global Bond Certificate, definitive certificates for Bonds will not be issued in exchange for beneficial interests in the Global Bond Certificate.
Governing Law	The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
Trustee	The Hongkong and Shanghai Banking Corporation Limited
Principal Agent	The Hongkong and Shanghai Banking Corporation Limited
Registrar and Transfer Agent	The Hongkong and Shanghai Banking Corporation Limited

Listing	Application has been made to the Hong Kong Stock Exchange for (i) the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only; and (ii) conditional approval for the listing of the new Shares issuable on conversion on the Hong Kong Stock Exchange has been granted.
Use of Proceeds	See section entitled “ <i>Use of Proceeds</i> ”.
Selling Restrictions	There are certain restrictions on the offer, sale and transfer of the Bonds and the Shares to be issued upon conversion of the Bonds in certain jurisdictions including the United States and Hong Kong. For a description of the restrictions on the distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds and the Shares to be issued upon conversion of the Bonds, see “ <i>Subscription and Sale</i> ”.
Issuer’s Legal Entity Identifier . .	894500DI8OJA4AZN9Q31
ISIN	XS2349508866
Common Code	234950886

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Guarantor as at the dates and for the periods indicated.

The summary audited consolidated financial information of the Group as at and for the years ended 31 December 2018, 2019 and 2020 set forth below is derived from the Guarantor's annual consolidated financial statements as at and for the years ended 31 December 2019 and 2020 prepared and presented in accordance with HKFRS and interpretation promulgated by the Hong Kong Institute of Certified Public Accountants, which are incorporated by reference in this Offering Circular and have been audited by Ernst & Young, Certified Public Accounts. The historical results do not necessarily indicate the Group's expected results for any future period.

The audited consolidated financial information of the Group as at and for the year ended 31 December 2018 incorporated by reference in this Offering Circular is derived from the Guarantor's annual consolidated financial statements as at and for the year ended 31 December 2019 as comparative, whereby the presentation of the annual consolidated statement of comprehensive income is different from that included in the Guarantor's annual consolidated financial statements for the year ended 31 December 2018. These changes in presentation have had no impact on the reported profit for the year ended 31 December 2018 or any other annual financial statements as at and for the year ended 31 December 2018.

The audited consolidated financial information of the Group as at and for the year ended 31 December 2019 incorporated by reference in this Offering Circular is derived from the Guarantor's annual consolidated financial statements as at and for the year ended 31 December 2020 as comparative, whereby the presentation of the annual consolidated statement of profit or loss and annual consolidated statement of financial position is different from that included in the Guarantor's annual consolidated financial statements as at and for the year ended 31 December 2019. These changes in presentation have had no impact on the reported profit for the year ended 31 December 2019 or any other annual financial statements as at and for the year ended 31 December 2019.

Annual Consolidated Income Statement of the Group

	For the year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Interest Income	16,137,698	15,841,562	16,521,643
Revenue from operating leases	1,561,359	2,036,435	2,484,554
Revenue from contracts with customers	7,843,314	9,058,799	10,163,067
Tax and surcharges	(163,759)	(80,335)	(127,463)
Cost of sales	(11,484,055)	(12,525,041)	(14,076,166)
Other income and gains	711,439	1,142,487	1,979,628
Selling and distribution costs	(2,284,711)	(1,954,977)	(2,135,955)
Administrative expenses	(3,050,828)	(3,641,298)	(4,076,227)
Impairment losses on financial and contract assets	(2,237,710)	(1,981,596)	(2,598,922)
Gains/(losses) on disposal of financial assets measured at amortized cost	(176,074)	(267,914)	(129,292)
Other expenses	(191,781)	(214,893)	(347,808)
Finance costs	(459,849)	(460,632)	(617,171)
Share of net (losses)/profits of:			
Associates	63,299	344,072	492,457
Share of net (losses)/profits of:			
Joint ventures	224,225	(151,839)	(24,799)
PROFIT BEFORE TAX	6,492,567	7,144,830	7,507,546
Income tax expense	(2,104,442)	(2,316,573)	(2,474,559)
PROFIT FOR THE YEAR	4,388,125	4,828,257	5,032,987
Attributable to:			
Ordinary shareholders of the parent	3,927,472	4,337,602	4,575,751
Holders of perpetual securities	502,735	511,335	455,022
Non-controlling interests	(42,082)	(20,680)	2,214
	4,388,125	4,828,257	5,032,987

Annual Consolidated Statement of Comprehensive Income of the Group

	For the year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
PROFIT FOR THE YEAR.	4,388,125	4,828,257	5,032,987
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year.	945,932	469,783	(2,476,186)
Reclassification to the consolidated statement of profit or loss	(1,456,122)	(364,549)	2,553,261
Income tax effect	100,856	(24,699)	(19,408)
	(409,334)	80,535	57,667
Exchange differences on translation of foreign operations.	(12,188)	(9,422)	141,931
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods. .	(421,522)	71,113	199,598
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(421,522)	71,113	199,598
TOTAL COMPREHENSIVE INCOME FOR THE YEAR.	3,966,603	4,899,370	5,232,585
Attributable to:			
Ordinary shareholders of the parent	3,505,950	4,408,715	4,775,349
Holders of perpetual securities	502,735	511,335	455,022
Non-controlling interests	(42,082)	(20,680)	2,214
	3,966,603	4,899,370	5,232,585

Annual Consolidated Statement of Financial Position of the Group

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9,984,765	11,582,978	16,871,601
Right-of-use assets	–	3,422,782	2,059,242
Prepaid land lease payments	1,546,827	–	–
Goodwill	1,716,527	2,321,837	2,032,232
Other intangible assets	21,944	34,465	49,129
Investments in joint ventures	1,899,013	2,230,724	2,326,760
Investment in associates	4,065,550	4,987,942	4,964,459
Financial assets at fair value through profit or loss	2,222,429	4,130,091	6,176,714
Derivative financial instruments	934,739	906,710	69,202
Loans and accounts receivables	132,844,117	102,379,882	106,476,358
Prepayments, other receivables and other assets	4,716,664	11,580,604	8,579,835
Deferred tax assets	4,031,727	4,181,252	5,142,900
Restricted deposits	15,061	3,871	142
Total non-current assets	163,999,363	147,763,138	154,748,574
CURRENT ASSETS			
Inventories	448,328	403,838	397,381
Loans and accounts receivables	87,790,154	98,741,019	122,920,949
Contract assets	27,168	22,646	110,132
Prepayments, other receivables and other assets	2,615,312	2,715,863	2,903,998
Debt investment at fair value through other comprehensive income	–	–	108,176
Financial assets at fair value through profit or loss	446,975	312,597	3,165,851
Derivative financial instruments	108,040	659,126	219,765
Restricted deposits	5,265,062	5,962,790	3,474,727
Cash and cash equivalents	5,269,392	3,989,571	11,877,235
Total current assets	101,970,431	112,807,450	145,178,214
CURRENT LIABILITIES			
Trade and bills payables	3,431,914	4,473,428	7,880,410
Other payables and accruals	15,886,540	17,469,463	15,223,636
Derivative financial instruments	190,386	28,982	297,441
Interest-bearing bank and other borrowings	66,635,537	87,744,845	103,931,451
Lease liabilities	–	236,375	237,544
Income taxes payable	2,025,471	1,256,882	1,764,699
Total current liabilities	88,169,848	111,209,975	129,335,181
NET CURRENT ASSETS	13,800,583	1,597,475	15,843,033
TOTAL ASSETS LESS CURRENT LIABILITIES	177,799,946	149,360,613	170,591,607
NON-CURRENT LIABILITIES			
Convertible bonds-host debts	–	–	2,924,074
Interest-bearing bank and other borrowings	105,879,445	74,651,421	98,360,630
Lease liabilities	–	1,636,702	583,048
Derivative financial instruments	17,468	155,532	1,557,724
Deferred tax liabilities	149,472	236,648	244,077
Other payables and accruals	29,352,339	24,521,974	16,304,185
Deferred revenue	981,396	1,054,306	1,064,019
Other non-current liabilities	2,327,322	5,569,255	4,286,717
Total non-current liabilities	138,707,442	107,825,838	125,324,474
Net assets	39,092,504	41,534,775	45,267,133
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	10,235,373	10,281,212	10,397,104
Equity component of convertible bonds	–	–	338,050
Reserves	17,494,370	19,847,224	23,384,298
	27,729,743	30,128,436	34,119,452
Holder of perpetual securities	9,789,593	9,860,211	8,478,063
Non-controlling interests	1,573,168	1,546,128	2,669,618
Total equity	39,092,504	41,534,775	45,267,133

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider the following risk factors, along with the other matters set out in this Offering Circular. PRC laws and regulations may differ from the laws and regulations in other countries. Additional risks not described below or not currently known to the Group or that it currently deems immaterial may also adversely affect the Group's business, financial condition or results of operations or the value of the Bonds. The Group believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Group to make payment on or in connection with any Bonds may occur for reasons which may not be considered as significant risks by the Group based on information currently available to it or which it may not currently be able to anticipate. All of these factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring.

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

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE GROUP'S BUSINESS

Any inability to effectively mitigate credit risk and maintain its asset quality may have a material adverse impact on the Group's business, financial condition and results of operations

The sustainability of the Group's business and future growth depends largely on its ability to effectively manage its credit risk and maintain the quality of its receivables portfolio. As such, any deterioration in its asset quality or impairment in the collectability of lease receivables could materially and adversely affect its results of operations. The Group's non-performing assets ratios were 0.96 per cent., 1.11 per cent. and 1.10 per cent. as at 31 December 2018, 2019 and 2020, respectively. The Group may not be able to effectively control the level of its non-performing assets in its current lease receivables portfolio or effectively control the level of new non-performing assets in the future. The amount of the Group's non-performing assets may increase in the future due to a substantial increase in its lease contract value, a deterioration in the quality of its lease receivables portfolio, or a decline in the quality of future receivables. The Group's net lease receivables from customers were RMB206,316.5 million, RMB186,868.9 million and RMB208,625.2 million as at 31 December 2018, 2019 and 2020, respectively.

The quality of the Group's lease receivables portfolio may deteriorate for a variety of reasons, including factors beyond its control, such as a slowdown in the economic growth of the PRC or global economies, including but not limited to as a result of recent U.S. – Sino trade tensions, a recurrence of a global credit crisis or other adverse macroeconomic trends which may cause operational, financial and liquidity problems for its customers thereby affecting their ability to make timely lease payments. Please see “*Any slowdown in the Chinese economy may affect the target industries in which the Group operates and result in a material adverse effect on the Group's business, results of operations, financial condition and prospects*”. If the level of its impaired lease receivables increases, the Group's business, financial condition and results of operations may be materially and adversely affected.

Any inability to effectively manage its cash flow position may have a material adverse impact on the Group's liquidity and its continuing position in net cash outflows from operating activities

The Group has experienced periods of net cash outflows from operating activities in the past. For the year ended 31 December 2020, the Group recorded a net cash outflow from operating activities amounting to RMB24,462.4 million, as compared to a net cash inflow from operating activities amounting to RMB18,389.1 million for the year ended 31 December 2019. For the year ended 31 December 2018, the Group had a net cash outflow from operating activities in the amount of RMB14,843.2 million. As the Group engages in the business of financial leasing, it correspondingly increases its bank and other borrowings, which are recorded as cash inflows from financing activities. The Group recorded cash inflows from financing activities of RMB23,685.0 million and RMB42,942.8 million for the years ended

31 December 2018 and 2020, respectively, while it recorded a net cash outflow from financing activities of RMB13,517.6 million for the year ended 31 December 2019. Such fluctuations in the Group's cash flows from financing activities were primarily a result of (i) cash outflows due to repayments on borrowings and (ii) cash inflows due to cash received from borrowings. To be specific, for the years ended 31 December 2018 and 2020, cash outflows due to repayments on borrowings were RMB103,035.4 million and RMB120,061.7 million, respectively, while cash inflows due to cash received from borrowings were RMB128,763.8 million and RMB162,505.9 million, respectively. In comparison, for the year ended 31 December 2019, the Group had a net cash outflow from financing activities mainly, due to repayments on borrowings of RMB110,220.9 million, while it recorded a cash inflow of RMB99,485.1 million, due to cash received from borrowings. At the same time, the Group's cash flows from operating activities were also impacted by its ability to collect on its outstanding lease receivables. Therefore, the Group's net cash flows from operating activities could be adversely impacted if it does not effectively manage its credit risk and fails to maintain the quality of its lease receivables portfolio and the Group cannot guarantee that it will not experience periods of net cash outflow from operating activities in the future. The Group's liquidity in the future will to some extent depend on its ability to maintain adequate cash inflows from operating activities, collected primarily from its outstanding lease receivables. If the Group does not effectively manage its credit risk, or should there be any prolonged or significant decrease in the quality of its lease receivables portfolio, its liquidity and cash flows from operating activities could be materially and adversely affected.

The Group cannot guarantee that it can or will continue to match the maturity profile of its assets and liabilities as both its assets and liabilities grow. Any inability to do so will impact its liquidity and its ability to repay its borrowings and settle its outstanding liabilities, which could have a material adverse effect on its business, financial condition and results of operations

The Group strives to effectively match its asset growth with its fundraising on an ongoing basis through regular review and periodic adjustment of its funding sources and structure, as necessary, in view of the changes to its internal financial condition and its external business environment. As at 31 December 2018, 2019 and 2020, the Group's total financial assets, based on the contractual undiscounted cash flows, amounted to RMB271,397.2 million, RMB250,970.6 million and RMB288,173.7 million, respectively, while its total financial liabilities, based on the contractual undiscounted cash flows, amounted to RMB228,365.6 million, RMB214,114.3 million and RMB248,204.7 million, respectively. The Group manages its liquidity risk by maintaining the stability of the leasing business, projecting cash flows, maintaining an efficient internal fund transfer mechanism, regularly monitoring the relative maturities between its assets and liabilities and by taking the necessary steps to maintain an appropriate and prudent balance of long-term and short-term funding sources. The Group manages its interest rate exposure by regularly assessing potential changes in interest rates using gap analysis. While the Group did not experience liquidity shortfalls for the years ended 31 December 2018, 2019 and 2020 with respect to its financial assets and liabilities as a whole or with respect to its current financial assets and liabilities (receivable or payable in one year or less), there is no assurance that the Group will continue to maintain this in the future. The Group may fail to effectively match the relative maturities of its assets and liabilities or manage its interest rate exposures between its borrowings and its lease receivables. Net liquidity shortfalls may occur and the Group may not be able to meet its financial liabilities as they fall due. In addition, such liquidity shortfalls may also impair the Group's ability to obtain sufficient additional financing, if at all. As a result, the Group's liquidity may be impaired, which would have a material adverse effect on its business, financial condition and its results of operation.

The Group may not be able to obtain sufficient funds on commercially acceptable terms to finance its operations or expansion plans, or at all

Due to the capital-intensive nature of its business operations, a substantial amount of capital as well as ongoing funding activities are required to support the growth of the Group's lease receivables portfolio and to fund future expansion. The Group primarily funds its operations and expansion through both domestic and foreign bank loans and cash flow from its operations. As at 31 December 2020, the aggregate amount of current and non-current borrowings of the Group was RMB103,931.5 million and RMB98,360.6 million, respectively. If there are changes in the international and/or domestic macroeconomic conditions or policies, or if the Group fails to maintain its existing and future loan arrangements on commercially acceptable terms, the Group may not be able to continue to obtain adequate funding in the future on reasonable commercial terms, or at all. If sufficient financing is not available to meet its needs, or cannot be obtained on commercially acceptable terms, or at all, the Group may not be able to refinance its existing portfolio, fund the operation and/or expansion of its business, introduce new services or compete effectively.

Since 2017, major central banks in the world withdrew quantitative easing monetary policy, reduced the scale of the balance sheet and entered the interest rate hike cycle. On the other hand, domestically, with tightening of the medium- and long-term monetary policy and the continued decline in the growth rate of money supply, financial supervision continued to increase. The financial market as a whole tended to be tight. The growth rate of financing slowed down, the interest rate of the money market and the yield of the bonds market continued to increase.

In recent years, the People's Bank of China ("PBOC") has adjusted the benchmark interest rates, the one-to-three year Renminbi lending rates and three-to-five year Renminbi lending rates several times. Since 2012, the PBOC has reduced the benchmark one-year lending rate several times, to the rate of 4.35 per cent. in October 2015, where it has been maintained. The Group holds financial assets and financial liabilities on both fixed and floating rates. It is therefore exposed to interest rate risk as the fair value or future cash flows of a financial instrument will fluctuate when market interest rate changes. The Group's exposure to the risk of such changes in market interest rate relates primarily to its interest-bearing bank and other borrowings and lease receivables, factoring receivables. For the year ended 31 December 2020, assuming that all other variables are held constant and based on the financial assets and financial liabilities as at 31 December 2020 (subject to re-pricing within the coming period), the Group's profit before tax may decrease up to RMB30.6 million when there is a decrease in interest rate of 100 basis points. To manage its interest rate risk, the Group monitors the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to continuously monitor the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such risk measures to mitigate such risk. As at 31 December 2020, the net interest rate sensitive assets of the Group amounted to RMB4.9 billion, as compared to RMB14.3 billion as at 31 December 2019.

There can be no assurance that the PBOC will not raise lending rates, and any increase may cause the Group to be unable to obtain sufficient financing, or at all. As a result, the business, financial condition, results of operations and prospects of the Group would be materially and adversely affected.

The Group may not be able to service its debts

The Group's financing agreements with debt lenders contain a number of covenants, undertakings, restrictions and default provisions. Examples of major covenants, undertakings and restrictions that may trigger default provisions include:

- cross-default provisions in the Group's loans and debt securities;
- transfer of material operating assets (e.g. 20 per cent. of the total assets) without obtaining lender's prior approval;
- material changes to the Group's shareholding structure, including but not limited to merger or consolidation with another company or division, restructuring, change of controlling shareholder;

- seeking additional financing from third parties for the underlying assets without lender's prior approval; and
- failure of the Group's financial indicators to meet certain standards set out under the financing agreements.

As at the date of this Offering Circular, none of the Group's lenders has claimed default against the Group under the above provisions. The Group has not breached any of the provisions that could result in any event of default in any of the three years ended 31 December 2018, 2019 and 2020. If it fails to comply with any of these provisions, or is unable to generate sufficient cash flows from its business operations, from the disposal of the assets underlying its leases, or from other business activities, or if it is unable to obtain further financing on favourable terms or at all to meet or repay its debts when due, the lenders may be entitled to accelerate the maturity of loans or foreclose on collateral supporting such loans, which would consequently adversely affect the Group's business, financial condition and its ability to obtain future financing.

The Group's provisions for impairment losses on lease receivables may not be adequate to cover future credit losses, and it may need to increase its provisions for impaired receivables to cover such future credit losses

The Group makes provisions for impairment losses on lease receivables in accordance with HKFRS. The Group's impairment provisions for lease receivables amounted to RMB4,846.4 million, RMB5,257.7 million and RMB6,081.5 million, respectively, representing 2.35 per cent., 2.81 per cent. and 2.92 per cent. of the Group's net lease receivables as at 31 December 2018, 2019 and 2020, respectively. This reflected both the growth of its business operations and its approach to provisions in view of the adverse macroeconomic environment. The amount of such provisions for impairment losses is determined on the basis of its internal provisioning procedures and guidelines, with consideration of factors such as the nature and industry-specific characteristics of its customers and their creditworthiness, economic conditions and trends, write-off experience, delinquencies and the value of underlying collateral and guarantees. As the Group's provisions under HKFRS require significant judgment and estimation, its allowance for impairment losses may not always be adequate to cover credit losses in the business operations. Its allowance may prove to be inadequate if adverse changes occur in the PRC economy or other economies in which the Group operates or if other events adversely affect specific customers, industries or markets. Under such circumstances, it may need to make additional provisions for its receivables, which could significantly reduce its profit and may materially and adversely affect its business, financial condition, results of operations and prospects.

The value of collateral or guarantees securing the Group's leases and the assets underlying its leases to be disposed upon repossession may be inadequate

As at 31 December 2020, certain of the Group's leases were secured by guarantees. To mitigate the risks, the Group usually requests that lessees provide guarantees for the leases. However, such guarantees need to be agreed and whether they are provided may depend upon the nature of the business of the particular lessees. For example, the lessees that are public institutions such as hospitals and universities usually do not provide guarantees due to low risk and their state-ownership. In the event of any material default on interest payment terms, the Group is contractually entitled to enforce its security rights over any collateral or guarantee, and/or repossess and dispose of the assets underlying its leases to realise their residual value. The value of its collateral and/or assets underlying its leases to be disposed of may decline and may be materially and adversely affected by a number of factors, such as damage, loss, oversupply, devaluation or reduced market demand. Similarly, a significant deterioration in the financial condition of guarantors under its leases could significantly decrease the amounts it may recover under such guarantees.

The Group's policies require periodic internal re-evaluations of collateral and assets underlying its leases to be disposed of for impairment testing purposes. If the value of such collateral or assets underlying its leases to be disposed of prove to be inadequate to cover the related lease receivables, the Group may need to obtain additional security from its customers or other sources, but there is no assurance that it could do so.

Decline in the value of such collateral, guarantees or assets underlying its leases to be disposed of or its inability to obtain additional security may result in impairments and require the Group to make additional impairment provisions against its lease receivables, which may, in turn, materially and adversely affect its business, financial condition and results of operations.

The Group may not be able to successfully enforce its rights to the underlying collateral or guarantees to its leases, or enforce its rights to repossess leased assets

As mentioned above, certain leases of the Group are secured either by guarantees or collateral. In the event of any material default on the payment terms thereof, the Group is entitled to enforce its security rights over any collateral or guarantee, and/or repossess and dispose of the assets underlying its leases to realise their residual value. The lessees under the leases secured by guarantees are independent third parties to the Group, its shareholders or directors or any of their respective associates. In the PRC, the procedures for liquidating or otherwise realising the collateral value of tangible assets and the procedures for enforcing the rights to a guarantee or to repossess and dispose of the assets underlying its leases are usually time-consuming. The whole process may take three to six months or even a longer period of time. Furthermore, in practice it may be difficult to realise such collateral value, enforce the guarantee or repossess and dispose of the assets underlying the leases. Although the Group could apply to a PRC court in accordance with the PRC Civil Procedure Law (民事訴訟法) for the attachment and disposal of any underlying collateral, the enforcement of a guarantee or the repossession of the assets underlying its leases upon default, it is uncertain whether any judgment made by local courts would be enforceable due to uncertainties of the PRC legal system in respect of such enforcement. In addition, under PRC law, the Group's rights to any collateral securing its leases may be subordinated to other claims. For example, according to the PRC Enterprise Bankruptcy Law (企業破產法), claims for the amount that a company in bankruptcy owed its employees prior to 27 August 2006 (being the date of publication of the PRC Enterprise Bankruptcy Law), including but not limited to salaries, medical insurance and pension benefits, will have priority over the Group's rights to collateral. If the Group is unable to bring an enforcement action on any collateral, or guarantee and/or repossess and dispose of the assets underlying its leases on a timely basis, it may have a material adverse effect on its asset quality, financial condition or results of operations.

The provision of advisory services has made significant contributions to the Group's revenue. There is no assurance that the Group's revenue generated from advisory services will remain stable or continue to make a significant contribution to its total revenue

Revenue generated from the Group's advisory services (before business taxes and surcharges) amounted to RMB4,889.0 million, RMB4,574.0 million and RMB3,836.5 million for the years ended 31 December 2018, 2019 and 2020, respectively, representing approximately 19.3 per cent., 17.0 per cent. and 13.2 per cent. of its total revenue (before business taxes and surcharges), respectively. The fees that the Group charges for the provision of its advisory services are set with each customer on a case-by-case basis. Although the Group strives to maintain healthy growth of service income of the business, there can be no assurance that the demand from its customers for advisory services will remain stable. In addition, failure to provide satisfactory and customised advisory services in a timely manner to address the specific needs of the Group's customers may reduce revenue generated from its advisory services, which may materially and adversely affect its results of operation and overall financial position.

The Group relies on its key personnel and its ability to attract and retain qualified personnel

The Group depends on the continued efforts of its senior management team and other key employees for its success. The executive Directors (namely Mr. Kong Fanxing and Mr. Wang Mingzhe) and its senior management (namely Mr. Kong Fanxing, Mr. Wang Mingzhe, Mr. Cao Jian, Mr. Wang Ruisheng, Mr. Li Jiancheng, Mr. Zhan Jing and Mr. Guo Chunhao) have played vital roles in the Guarantor's operations. Most of them have more than 24 years of experience in the financial service industry in China and possess a deep understanding of the Group's nine target industries, its competitors and the laws regulating its business. Therefore, they play an important role in formulating and implementing appropriate strategies to achieve business success for the Guarantor. All senior management team members have signed open-ended employment contracts with the Group and it cannot be guaranteed that any of the key employees will not voluntarily terminate his or her employment with the Group or leave his or her position due to other reasons beyond its control. The loss of service of any of the key management, in particular the executive Directors, could impair the Group's ability to operate and make it difficult to implement its business and growth strategies. The Group may not be able to replace such persons within a reasonable period of time or with another individual of equivalent expertise and experience, which may severely disrupt its business operations.

The Group's continued success also depends on its ability to attract and retain qualified personnel to manage its existing operations and future growth. Qualified individuals are in high demand and the Group may not be able to successfully attract, assimilate or retain all the personnel it needs with the required industry expertise (such as personnel for its sales and marketing department, business operation centre and asset management department). The Group may also need to offer superior compensation and other benefits to attract and retain key personnel and therefore there is no assurance that the Group's compensation and benefits payments will not increase unpredictably or at a greater rate than its revenues. The Group's failure to attract and retain qualified personnel and any increase in staffing costs to retain such personnel could have a negative impact on its ability to maintain its competitive position and grow its business, and may also have a material adverse effect on its financial condition, results of operations and prospects.

The Group's risk management systems and internal control policies may not be effective in mitigating the Group's risk exposure

The Group's risk management systems and internal control policies may not be effective in mitigating its exposure to all types of risks, including unidentified or unanticipated risks. Some risk management and control methods are based upon historical market behaviours and past events. As such, the Group may not be able to adequately identify or estimate future risk exposures, which could be significantly greater than indicated by measures based on historical data. Other risk management methods depend on evaluation of information regarding markets, customers or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. For instance, the information infrastructure in the PRC is relatively undeveloped and there is no extensive and unified nationwide credit information system. As such, the Group is only able to rely on publicly available resources and its internal resources to assess credit risks associated with a particular customer. Such assessment may not be based on complete, accurate or reliable information. Furthermore, as the Group enters new industry sectors, approaches other customer segments or develops additional product and service offerings, it may not be in a position to adequately identify and predict future risk exposures.

In addition, management of operational, legal or regulatory risks requires various sets of policies and procedures in order to accurately record and verify a large number of transactions and events. Such policies and procedures may not be fully effective. Any failure of the Group's risk management procedures or any failure to identify applicable risks may have a material adverse effect on its results of operations and financial condition.

Disruptions to the Group's information technology systems may adversely affect its operations and financial condition

The Group's business operations are dependent on the ability of its information technology systems to accurately process a large number of transactions and information in a timely manner. These systems include the System Application Products System, the Customer Marketing Management System, the Core Business Management System, and the Rent Integration Management System. The proper functioning of the Group's financial control, risk management, accounting, customer service and other data processing systems is critical to the Group's business and its ability to compete effectively. The Group has established its own internal back-up systems to carry on principal functions upon system failures.

However, it cannot be guaranteed that the Group's operations will not be significantly disrupted if any of the Group's systems fail due to, among other things, fire, natural disasters, power loss, software faults, computer virus attacks, conversion errors due to system upgrades, or security breaches. The "Network and Information Safety Measures" formulated by the Group's Information Technology centre may not be effective in preventing any harm or damage resulting from risks threatening its information technology systems. Any disruption to any of the Group's information technology systems could harm its business and adversely affect its operations and financial condition.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees or third parties

Fraud or other misconduct by employees (such as unauthorised business transactions and breaches of its internal policies and procedures) or third parties (such as breach of law) may be difficult to detect and prevent, and could subject the Group to financial loss, sanctions imposed by governmental authorities and

serious harm to its reputation. The Group's risk management systems, information technology systems and internal control procedures are designed to monitor its operations and overall compliance. However, it may be unable to identify non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct and the precautions the Group takes to prevent and detect such activities may not be effective. Hence, there exists the risk that fraud or other misconduct may have previously occurred but was undetected, or that such fraud or misconduct may occur in the future. This may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not be able to fully prevent or timely detect any money laundering and other illegal or improper activities

The Group has strictly complied with applicable anti-money laundering laws and other relevant regulations. The Group is not aware of any money laundering or other major illegal or improper activities engaged by or involving any employee of its domestic or overseas operations.

However, the Group cannot assure potential investors that it can completely eradicate money laundering activities or other improper activities carried out by organisations or individuals through it. If the Group fails to timely detect and prevent money laundering activities or other illegal or improper activities, relevant regulatory agencies will have the power and authority to impose sanctions on it, which may adversely affect its reputation, financial condition and results of operations.

The Group may not have adequate insurance coverage to cover potential liabilities or losses

The Group has obtained insurance coverage for its business operations in accordance with legal requirements, and in respect of all assets which it deems material for its operations. The Group faces various risks in connection with its businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. In addition, the Group does not maintain business interruption insurance, which is in line with the general practice in the PRC. As a result, its insurance coverage may be inadequate to cover such losses should they arise. Any such uninsured losses may materially and adversely affect its results of operations and financial position.

Failure to obtain, renew or retain licences, permits or approvals or failure to comply with applicable laws and regulations may affect the Group's ability to conduct its business

The Group is required to hold various licences, permits and approvals issued by relevant authorities allowing it to conduct its business operations. Any infringement of legal or regulatory requirements, or any suspension or revocation of these licences, permits and approvals, may have a material adverse impact on the business operations of the Group. In addition, the licensing requirements within the PRC financial leasing industry are constantly evolving and the Group may be subject to more stringent regulatory requirements due to changes in political or economic policies in the PRC. It cannot be certain that the Group will be able to satisfy such regulatory requirements and as a result it may be unable to retain, obtain or renew relevant licences, permits or approvals in the future. This may in turn hinder the Group's business operations and materially and adversely affect its results of operations and financial condition.

Pursuant to existing foreign exchange regulations in the PRC, foreign exchange transactions for capital account purposes, including direct overseas investment and various international loans, may require the registration with the State Administration of Foreign Exchange of the PRC ("SAFE") (國家外匯管理局) or a bank to which SAFE has delegated its authority. If the Group fails to complete such registration to convert Renminbi into foreign currencies for such purposes, its capital expenditure plans, business operations and consequently its results of operations and financial condition could be materially and adversely affected.

If the Group encounters difficulties in executing and integrating its growth strategy and expansion plans, its growth prospects may be limited and it may be unable to recoup the costs incurred

As part of its business strategy, the Group plans to expand its business to include other target industries in the PRC with attractive growth potential. The Group intends to achieve this through expansion, alliances, joint ventures or partnerships, when suitable opportunities arise and under appropriate market conditions. In April 2012, the Group consolidated the electronic information business and incorporated the electronic business in the machinery industry into other industries. The Group incubated its new business in the electronic information industry and established a new business segment in this regard, namely the electronic information segment, in December 2012. This new business segment targets the information industry in the PRC and provides finance leases and other related value-added services to customers in this

target market. In March 2015, the Group established a new business sector, namely the urban public utility business unit, which would focus on providing a wide range of financial products and professional consulting services to China's urban utilities industry. Through this new sector, the Group aims to seize the opportunities arising from the development of China's urban utilities by providing a wide range of financial products and professional consulting services to three main urban public utility industries, namely urban infrastructure construction, urban operation and municipal services. In 2019, the Group reconfigured its industrial layout from seven major business sectors to nine business sectors, namely healthcare, culture & tourism, engineering construction, machinery, chemical & medicine, electronic information, livelihood & consumption, transportation & logistics and urban public utility.

There can be no assurance that the Group will be able to identify any suitable target industries, investment projects or business partners in the near future. In addition, failure to effectively manage the Group's expansion may lead to increased costs, reduced growth and reduced profitability for the Group. Even upon completion of investments or partnerships, the Group may experience difficulties in integrating such businesses into its business model, and may incur higher costs than initially anticipated. This may materially and adversely affect the Group's business, results of operation and financial position.

The Group's business may be impacted by political events, international trade disputes and other business interruptions

Political events, international trade disputes, war, terrorism, and other business interruptions could harm or disrupt international commerce and the global economy, and could have an adverse effect on the Group and its customers, suppliers and other partners as well as associates and/or affiliates. In particular, the U.S.-China trade conflict has brought uncertainty to global markets and to a certain extent, impacted businesses and financial market sentiment, resulted in financial market volatility, and slowed investment and trade. The U.S.-China trade conflict manifests a deterioration in the relationship between China and the United States which has led to greater uncertainties in the geopolitical situations in other parts of the world affecting China and Chinese companies. For example, export controls, economic and trade sanctions, entity list have been threatened and/or imposed by the U.S. government on a number of Chinese companies. The United States has also threatened to impose further export controls, sanctions, trade embargoes, and other heightened regulatory requirements on China and Chinese companies for alleged activities both inside and outside of China. The trade tensions between the United States and China could place pressure on the economic growth in China as well as the rest of the world. This may adversely affect the Group's business, financial condition, access to international capital markets and results of operations.

Against the backdrop of the trade conflict between the U.S. and China, the U.S. Department of Defense released in 2020 and January 2021 lists of Chinese companies (including Sinochem Group, a substantial shareholder of the Issuer) claiming that the companies are Communist Chinese military companies ("CCMC") for purposes of Section 1237 of the National Defense Authorization Act for Fiscal Year 1999. These lists are based on the U.S. government's intelligence, which apparently enabled the U.S. Department of Defense to determine that the companies therein are owned or controlled by the Chinese military. In November 2020, the U.S. President at the time signed an executive order, which prohibits any purchase for value or sale by any U.S. person of publicly traded securities (or securities that are derivative thereof or designed to provide investment exposure to such securities) of any company identified as a Communist Chinese military company. Any U.S. persons who hold such securities may be required to divest their holdings in such securities and may have to do so at a loss. On 3 June 2021, the U.S. issued an executive order that amended these restrictions and replaced the list of CCMCs with an initial list of 59 so-called "Chinese Military-Industrial Complex Companies" ("CMICs"). As at the date of this Offering Circular, the Issuer and the Guarantor are not listed as a CMIC. However, there remains uncertainty as to whether the U.S. government will take further actions in relation to China-based companies and the impact of such actions.

Failure to obtain approvals required for the Proposed Spin-off and Listing may adversely affect the Group's ability to finance its operations, meet its obligations or implement its growth strategy

On 16 December 2020, the Guarantor announced the proposed spin-off and separate listing of the equipment operation business of the Group on a recognized stock exchange (the "**Proposed Spin-off and Listing**"). In the event that the Guarantor proceeds with the Proposed Spin-off and Listing, it will constitute a spin-off subject to compliance with the Practice Note 15 of the Listing Rules (the "**PN15**"). The Guarantor will comply with the applicable Listing Rules requirements in respect of the Proposed Spin-off and Listing, including, to the extent practicable under applicable laws, providing the qualifying shareholders of the Guarantor with an assured entitlement to the shares of the spun-off entity pursuant to the requirements of PN15.

However, the Proposed Spin-off and Listing is subject to approvals from the relevant regulatory authorities and market conditions. There is no assurance that the Proposed Spin-off and Listing will proceed or as to when it may take place. The failure to obtain the above approvals may adversely affect the Group's ability to finance its operations, meet its obligations or implement its growth strategy.

RISKS RELATING TO THE INDUSTRY

The Group operates in an increasingly competitive market

The financial services industry is an increasingly competitive industry and there is no assurance that the Group will be able to sustain its competitive advantage or effectively implement its business strategies. The Group's competitors are mainly comprised of bank-affiliated leasing companies, captive leasing companies, independent leasing companies and other financial service companies, which are all similarly involved in the financial leasing and/or financial services business. Competition from such entities may have an impact in the Group's industry, business and operating environment, such as downward competitive pressure on interest rates charged to customers, expansion by existing competitors, adoption by its competitors of innovative financial services or comparatively effective branding efforts, any of which may have a material adverse effect on the Group's business, financial condition and results of operations.

Upon China's accession to the World Trade Organisation in 2001, the PRC leasing industry entered a phase of rapid development and the number of both foreign and domestic investors in the industry has increased. In order to fulfil its commitment to liberalise the PRC financial leasing market, China's Ministry of Commerce ("MOFCOM") (中華人民共和國商務部) and the State Council of the PRC ("State Council") (國務院) have implemented several policies to further develop the leasing industry and encourage additional investment since 2005 including the *Guiding Opinions on Encouraging the Development of Financial Leasing Industry in the 12th Five-year Period* (商務部關於"十二五"期間促進融資租賃業發展的指導意見) issued by MOFCOM in December 2011, the *Opinions on Further Supporting the Healthy Development of Small and Micro Businesses* (關於進一步支持小型微型企業健康發展的意見) promulgated by the State Council in April 2012, the *Instructive Opinions on Improving the Technological Upgrading of Enterprises* (關於促進企業技術改造的指導意見) promulgated by the State Council in September 2012, the *Guiding Opinions of the State Council on Accelerating the Development of Production-oriented Service Industries and Promoting Industrial Restructuring and Upgrading* (國務院關於加快發展生產性服務業促進產業結構調整升級的指導意見) promulgated by the State Council in July 2014 and the *Guiding Opinions of the General Office of the State Council on Accelerating the Development of the Financial Leasing Industry* (國務院辦公廳關於加快融資租賃業發展的指導意見) promulgated by the General Office of the State Council in August 2015. In 2019, amendments to the Administration Measure on Supervision of Financial Leasing Companies (《融資租賃企業監督管理辦法》) were officially included in the China Banking and Insurance Regulatory Commission (the "CBIRC") work plan. On 26 May 2020, the CBIRC published the Interim Measures for the Supervision and Management of Financial Leasing Companies (融資租賃公司監督管理暫行辦法), which specified regulatory particulars for operations of financial leasing companies. Based on this, in various regions including Shanghai, Shenzhen, Tianjin, Hunan and Jiangsu, local financial regulatory authorities increased efforts to straighten out and rectify leasing companies with irregular activities such as those existing only on paper and being out of reach. These tighter regulation of the financial leasing industry on one hand facilitates the healthy and orderly development of the financial leasing industry by decreasing the number and improving the quality of the companies and on the other hand, was favourable to large, compliant and professional financial leasing companies in the long run. It is expected that the relevant PRC governments may issue new implementing rules to promote the development of financial leasing companies under their respective regimes. The Group believes that these rules and measures are likely to further increase competition in the PRC financial leasing industry. If the Group is unable to successfully compete against current and future participants in the industry, its business, results of operations, financial condition and prospects may be materially and adversely affected.

Interest rate changes may adversely affect interest expense related to the Group's borrowings, reduce net interest income and reduce demand for its leasing services

The Group's business is affected by interest rates, both the interest rates charged to its financial leasing customers and the rates at which it pays interest on its loans and other financing obligations. In order to remain responsive to changing interest rates and to manage its interest rate exposure, the Group has implemented measures to adjust the structure of its assets and liabilities by assessing the sensitivity of

projected net interest income under various interest rate scenarios. However, an increase in interest rates, or the perception that such an increase may occur, could adversely affect the Group's ability to obtain bank loans at favourable interest rates, its ability to maximise its interest income, its ability to originate new leases and its ability to grow. In addition, changes in interest rates or in the relationships between short-term and long-term interest rates or between different interest rate indices (i.e. basis risk) could affect the interest rates received from interest-earning assets differently from the interest rates paid on interest-bearing liabilities, which could, in turn, result in an increase in interest expense or a decrease in the Group's net interest income (which is its interest income minus its interest expense). In addition, the Group's net interest income is also impacted by whether it can adjust the interest rates it charges its customers in response to fluctuations in interest rates for its interest-bearing bank borrowings so as to maintain its net interest spread and its net interest margin. If the Group fails to appropriately adjust interest rates on its lease contracts in a timely manner, its net interest spread and its net interest margins may decrease and, as a result, its profitability and results of operations would be adversely impacted. Any increase to its interest expense or decrease to its net interest income could have a material adverse effect on its business, results of operations and financial condition.

Fluctuation of equipment prices may adversely affect the Group's operation and business

The Group currently operates its business by targeting nine focused industries which it believes to have sustainable growth potential, namely healthcare, culture & tourism, engineering construction, machinery, chemical & medicine, electronic information, livelihood & consumption, transportation & logistics and urban public utility. There is no assurance that the demand for financial leasing services in these target industries will remain sustainable. Rapid increase of equipment price may reduce overall demand and accordingly reduce the Group's origination of new contracts. Moreover, reduction of equipment price may also affect the Group's ability to recover the related lease receivables due to the increasing likelihood of default by its customers. To be specific, the price at which the Group is able to sell any asset underlying its leases may be lower than the price at which it acquired such assets and this may have a material adverse effect on the Group's business, results of operations and financial condition.

Certain industries in which the Group is involved are highly cyclical

Certain industries, such as culture & tourism and transportation & logistics in which the Group is involved are highly cyclical with demand for and supply of services such as vessels to be leased or sold affected by several factors, including global and regional economic and political conditions, changes in regulatory regimes, strikes or armed conflicts, extreme weather conditions and piracy. These factors are beyond the Group's control and the nature, timing and degree of changes in industry conditions are largely unpredictable. Any decrease in demand for the Group's services in the above industries due to cyclical downturns could result in extensive customer defaults, decreased revenue and an inability to grow or maintain its business, and could materially and adversely affect its business, results of operations and financial condition.

An outbreak of epidemics, such as the 2019 novel coronavirus ("COVID-19"), Severe Acute Respiratory Syndrome ("SARS"), bird flu, Type A H1N1 influenza, H7N9 influenza, Ebola virus, MERS, natural disasters, acts of war or terrorism or other factors beyond its control may adversely affect the Group's business, results of operations and financial condition

Areas in which the Group operate may be prone to infectious diseases such as the recent COVID-19 outbreak or other epidemics. The recent outbreak of COVID-19 has caused wide range business slowdowns and disrupted the economic activities in the affected areas and countries, including the PRC and other countries including but not limited to South Korea, Italy, Iran, United States and various European countries. Outbreaks of infectious diseases in the past, such as SARS have damaged the regional and national economies in the PRC.

The outbreak of COVID-19, a recurrence of SARS, or an outbreak of other infectious diseases such as avian influenza H5N1 bird flu, Type A H1N1 influenza, H7N9 influenza, Ebola virus or Middle East respiratory syndrome ("MERS"), especially in the areas in which the Group or its customers operate, may result in material disruptions to the Group and its customers' businesses. In particular, since December 2019, the outbreak of COVID-19 has spread rapidly and is still spreading across the world, significantly affecting the national and global economy and has affected corporate operations and the general industry environment in certain regions, or certain industries. This may affect the quality or the yields of the interesting earning assets of the Group, and the degree of the impact depends on the situation and duration of the spread of COVID-19, and implementation of preventive and control measures.

The Group intends to closely and continuously monitor the development of the COVID-19 pandemic. The normal operation of some of the Group's businesses suffered an inevitable short-term impact. All businesses activities have gradually resumed normal operation since March 2020. In the first half of 2020, due to the negative effects of COVID-19 and the economic shut down for a period of time in the first quarter of 2020, advisory service business activities in the industry-related sectors such as healthcare, culture & tourism, chemical & medicine, engineering construction and transportation & logistics were restricted, resulting in a decline in advisory service revenue. For the year ended 31 December 2020, profit attributable to shareholders of ordinary shares increased by 5.49% as compared to the corresponding period of the previous year. While the Group managed to maintain the increase of its profit in 2020, it is uncertain as to the larger potential impact on the Group's business operations, profitability, financial condition and prospects arising from the outbreak of COVID-19 pandemic in the years ahead as it continues to evolve.

Hence, there will be uncertainties in operations of the Group, which might affect profitability of the Group to a certain extent. In addition, if any of the Group's employees is suspected of having contracted a contagious disease, the Group may be required to apply quarantines or suspend its operations. Furthermore, any future outbreak may restrict economic activities in affected regions, resulting in reduced business volume, temporary closure of the Group offices or facilities, or even disrupt the Group's business operations and adversely affect the Group's results of operations.

In addition, natural disasters such as earthquakes, floods, severe weather conditions or other catastrophic events may severely affect the regions in which the Group or its customers operate. These natural disasters could cause a material economic downturn in the affected area, nationally or internationally and could have a material adverse effect on the Group's business prospects, financial condition and results of operations.

Similarly, war, terrorist activity, threats of war or terrorist activity, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, would affect economic development and construction projects. In turn, there could be a material adverse effect on the Group's business, financial condition and results of operations. In addition, the Group may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, the Group's operational continuity may be adversely and materially affected and the Group's reputation seriously harmed.

Risks Relating to Conducting Operations in China

Changes in the economic, political and social conditions in the PRC may have a material adverse effect on the Group's business, results of operations and financial condition

The Chinese economy differs from the economies in developed countries in many respects, including the degree of government involvement and the control of capital investment, as well as the overall level of development. The Group believes the PRC government has indicated its commitment to the continued reform of the economic system as well as the structure of the government. The PRC government's reform policies have emphasised the independence of enterprises and the use of market mechanisms. Since the introduction of these reforms, significant progress has been made in economic development, and enterprises have enjoyed an improved environment for their development. However, any changes in the political, economic or social conditions in the PRC may have a material adverse effect on the Group's present and future business operations.

Any slowdown in the Chinese economy may affect the target industries in which the Group operates and result in a material adverse effect on the Group's business, results of operations, financial condition and prospects

Most of the Group's revenue is derived from the provision of financial leasing services and extended value-added services. The Group relies primarily on domestic demand to achieve growth in its revenue. Such demand is materially influenced by industrial development and the overall economic growth in China as well as policy support for its target industries and for its financial services. Any deterioration of these industries in China resulting from a global economic downturn or the Chinese government's macroeconomic measures affecting these industries may have a material adverse impact on its financial performance and prospects. Furthermore, any deterioration in the financial condition of the Group's customers in these industries or any industry-specific difficulties encountered by these customers could affect its business (such as the deterioration of the quality of its existing lease receivables and its ability to generate new leases), thereby materially and adversely affecting its business, financial condition or results of operations.

Furthermore, the global crisis in financial services and credit markets since 2008 caused a slowdown in the growth of the global economy with a corresponding impact on the Chinese economy. Although there are signs of recovery in the global and Chinese economies, it cannot be certain that any such recovery is sustainable. In addition, if the crisis in global financial services and credit markets were to persist, there is no certainty as to its impact on the global economy, especially the Chinese economy. More recently, there has been volatility in global financial markets as a result of uncertainty caused by ongoing U.S.-Sino trade tensions. In July 2018, the U.S. government-imposed tariffs on U.S.\$34 billion worth of Chinese goods, which led the PRC to respond with similar sized tariffs on U.S. products. By January 2020, the U.S. had set tariffs on more than U.S.\$360 billion worth of Chinese products and the PRC had set tariffs on more than U.S.\$110 billion worth of U.S. goods. On 15 January 2020, the two sides showed signs of making a truce by signing a “Phase 1” trade deal that cut some U.S. tariffs on Chinese goods. However, the outbreak of COVID-19 has reignited tensions between the U.S. and China, which adds uncertainties to the overall global economy. The effect of such tariffs on the economy of the PRC and the U.S. is yet to be seen, and the trade dispute between the PRC and the U.S. and the increasing amount of the tariff that the U.S. plans to impose on Chinese imports may have an adverse effect on the global and the PRC economies resulting in continuing uncertainty for the overall prospects for the global and the PRC economies this year and beyond and may also result in structural shifts in the PRC economy. On 31 January 2020, the United Kingdom officially commenced the transition period of its withdrawal from the European Union which ended on 31 December 2020 (“Brexit”). Brexit has also given rise to calls for the governments of other European Union member states to consider withdrawal. The potential impact of Brexit on the economic conditions in the United Kingdom, the European Union and global financial services is uncertain and credit markets and there is no certainty as to its impact on the global economy, especially the Chinese economy.

As a result of global economic conditions, it cannot be certain that the Chinese economy will grow in a sustained or steady manner. Any slowdown or recession in the Chinese economy may affect the Group’s ability to secure new leases and contracts and its ability to obtain sufficient financing, which may in turn have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group may be subject to PRC income taxes on its worldwide income

Under the PRC EIT Law, the term “de facto management bodies” is defined as “bodies that substantially carry out comprehensive management and control of the business operations, employees, accounts and assets of enterprises”. Under the PRC EIT Law, an enterprise outside of China whose “de facto management bodies” are located in China is considered a “resident enterprise” and will be subject to a uniform 25 per cent. enterprise income tax rate on its global income. In April 2009, the State Administration of Tax (“SAOT”) (國家稅務總局) issued the *Notice on Issues Relevant to Foreign-registered Chinese-invested Holding Enterprises Determined as Resident Enterprises in Accordance with Actual Management Organization Standard* (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), which has been amended on 29 December 2017, to further specify criteria for the determination of the “de facto management bodies” for foreign enterprises which are controlled by PRC enterprises. If all of these criteria are met, the relevant foreign enterprise controlled by a PRC enterprise will be deemed to have its “de facto management bodies” located in China and therefore be considered a PRC resident enterprise. These criteria include: (i) the enterprise’s day-to-day operational management is primarily exercised in China, (ii) decisions relating to the enterprise’s financial and human resource matters are made by, or are subject to approval by, organisations or personnel in China, (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in China and (iv) 50 per cent. or more of voting board members or senior executives of the enterprise habitually reside in China. In addition, SAOT issued the *Measures for the Administration of Income Tax for Chinese-controlled Resident Enterprises Registered Overseas* (the “Measures”) (境外註冊中資控股居民企業所得稅管理辦法(試行)) to provide more guidance on the implementation of the aforesaid circular which came into effect on 1 September 2011 and was revised on 17 April 2015, 28 June 2016 and 15 June 2018. The Measures specify that SAOT is entitled to decide whether a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a “resident enterprise” through the application of such foreign enterprises or the investigation conducted by the competent tax authorities.

In January 2014, SAOT issued the Circular on the Determination of PRC Tax Resident Enterprises Subject to Criteria of “De Facto Management Body” (關於依據實際管理機構標準實施居民企業認定有關問題的公告), which requires a Chinese-controlled offshore-incorporated enterprise that falls within the criteria of “de facto management body” to make an application for the classification as a “resident enterprise”, which in turn will be confirmed by the province-level tax authority. However, it is still unclear how the PRC tax authorities will determine whether a non-PRC entity (that has not already been notified of its status for EIT purposes) will be classified as a “resident enterprise”.

The Guarantor is currently not treated as a PRC resident enterprise by the relevant tax authorities and has not applied for such a treatment. Although the Guarantor currently has no controlling shareholders, there is no assurance that it will not be considered a “resident enterprise” under the PRC EIT Law and not be subject to the enterprise income tax rate of 25 per cent. on its global income in the future.

Under the PRC EIT Law and the implementation regulations thereunder, PRC withholding tax at a rate of 10 per cent. is normally applicable to PRC-sourced income of non-resident enterprises, subject to adjustment by applicable treaty. The PRC EIT Law’s implementation regulations further set forth that interest income is viewed as PRC-sourced income if the enterprise that pays interest is domiciled in the PRC. In October 2017, SAOT issued, and further amended in July 2018 the Announcement on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告), which further specified the withholding of PRC-sourced income tax of non-resident enterprises. If the Issuer or the Guarantor is deemed a PRC resident enterprise for tax purposes, interest paid to overseas Bondholders may be regarded as PRC-sourced and therefore be subject to PRC withholding tax at the rate of up to 10 per cent. in the case of a non-resident enterprise holder and 20 per cent. in the case of a non-resident individual holder. Similarly, any gain realised on the transfer of the Bonds by such investors is also subject to a 10 per cent. PRC income tax in the case of a non-resident enterprise holder and 20 per cent. in the case of a non-resident individual holder (or lower treaty rate, if any) if such gain is regarded as income derived from sources within the PRC.

The Group’s profits and results of operations may be materially and adversely affected by tax reforms in the PRC

On 23 March 2016, the Ministry of Finance of the PRC and the SAOT jointly released the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (關於全面推開營業稅改徵增值稅試點的通知), whereby business tax in certain industry sectors will be replaced by value-added tax with effect from 1 May 2016. On 19 April 2016 and 18 August 2016, the SAOT respectively released the Announcement on Matters relating to the Tax Collection and Administration in Comprehensive Promotion of the Pilot Programme of Replacing Business Tax with Value-added Tax (關於全面推開營業稅改徵增值稅試點有關稅收徵收管理事項的公告) which was further amended on 18 December 2017, 29 January 2018, 15 June 2018, 19 January 2019, 3 February 2019 and 16 September 2019 and the Announcement on Several Collection and Administration Issues in Pilot Programme of Replacing Business Tax with Value-added Tax (關於營改增試點若干徵管問題的公告), as amended on 15 June 2018 and 19 January 2019, which specifically provided the relevant tax collection and administration matters regarding the implementation of the replacement of business tax with value-added tax. On 19 November 2017, the State Council amended the Interim Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例), based on which, value-added tax at a rate of 6 per cent. and 17 per cent. shall be imposed on the Group’s indirect financing business and direct financing business, respectively. On 4 April 2018, the Ministry of Finance and the SAOT promulgated the Notice of Adjustment on Value-added Tax Rates (財政部、國家稅務總局關於調整增值稅稅率的通知) to adjust the value-added tax from a rate of 17 per cent. where applicable to 16 per cent., which came into effect on 1 May 2018. On 20 March 2019, Ministry of Finance, the SAOT and General Administration of Customs issued the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告), which came into effective on 1 April 2019, to adjust the value-added tax from a rate of 16 per cent. where applicable to 13 per cent. There is no assurance that the PRC governmental authorities will not adopt any new taxation policies to the financing leasing industry in the PRC in the future. Any future actions and policies adopted by the PRC government may affect the Chinese economy and adversely impact financial leasing industry in the PRC, which could materially and adversely affect the Group’s profits and results of operations.

Any limitation on the ability of the Guarantor’s PRC subsidiaries to pay dividends to the Guarantor and repay its debts to creditors could limit the Guarantor’s ability to fulfill its payment obligations

The Guarantor is a holding company incorporated in Hong Kong, and it relies on dividends and intercompany loan repayments paid by its PRC operating subsidiaries for its cash requirements, including the funds necessary to service the Bonds and any other debt it may incur, and to pay its operating expenses. PRC regulations currently permit payments of dividends only out of accumulated profits, as determined in accordance with the accounting standards and regulations in the PRC, which differ in many aspects from generally accepted accounting principles in other jurisdictions. The Guarantor’s PRC subsidiaries are required to allocate certain percentages of any accumulated profits after tax each year to their statutory common reserve fund as required under the PRC Company Law, until the aggregate accumulated statutory common reserve funds exceed 50 per cent. of its registered capital. These reserve funds cannot be

distributed as cash dividends. In addition, if the Guarantor's PRC subsidiaries incur debts on their own or enter into certain agreements in the future, the instruments governing the debts or such other agreements may restrict their ability to pay dividends or make other repayments or distributions to the Guarantor. Therefore, these restrictions on the availability and usage of the Guarantor's major source of funding may materially and adversely affect its ability to service the Bonds and its other debts.

The Guarantor's PRC subsidiaries receive substantially all of their revenue in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of the PRC subsidiaries to use their Renminbi revenues to pay dividends to the Guarantor.

On 8 August 2017, the State Council promulgated the Notice on Several Measures for Promoting the Growth of Foreign Investment (國務院關於促進外資增長若干措施的通知), which provided that foreign investors may freely remit abroad the profits, dividends and other investment returns lawfully obtained inside PRC in Renminbi or foreign currencies. Such provision has also been included in the Foreign Investment Law of the PRC (中華人民共和國外商投資法), promulgated by the Standing Committee of the National People's Congress of the PRC on 15 March 2019 and became effective on 1 January 2020. On 5 January 2018, the PBOC promulgated the Notice on Further Fine-tuning the Policies on Cross-border Renminbi Business to Promote Trade and Investment Facilitation (中國人民銀行關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知), to further specify that regarding the profits, dividends and other investment returns obtained inside PRC by foreign investors, banks shall handle Renminbi cross-border settlement after reviewing relevant supporting materials to ensure that the profits of foreign investors be remitted abroad freely in accordance with the PRC laws.

However, uncertainty exists as to whether the PRC Government will restrict access to foreign currency for current account transactions in the PRC, in which case the ability of the PRC subsidiaries to pay dividends to the Guarantor or to satisfy their other regulatory requirements may be adversely affected.

PRC regulation of loans to and direct investments in PRC companies by offshore holding companies may delay or prevent the Group from providing loans or capital contributions to its PRC subsidiaries, which could materially and adversely affect their liquidity and its ability to fund and expand its business

Under the PRC law, any capital contributions and loans made by the Guarantor (as a foreign shareholder) to the Group's PRC-incorporated subsidiaries are subject to the relevant PRC regulatory regime. In terms of a foreign shareholder's loan, the loan made by the Guarantor to its PRC subsidiaries must be registered with SAFE or any government bureau or agency to which SAFE has delegated its authority. Otherwise, the loan cannot be remitted into the PRC and (if required) converted into Renminbi. In respect of capital contributions made by the Guarantor to its PRC subsidiaries, the Guarantor must complete the registration formalities with the competent business registration authority (e.g. the State Administration for Market Regulation ("SAMR") or its relevant local branch), and the foreign exchange registrations with the relevant bank. Due to the discretionary and arbitrary nature of the aforementioned relevant agencies, there can be no assurance that the Group will be able to register the loans or complete the registration and filing in a timely fashion, or at all. If the Group fails to complete such registration or filings, its ability to finance the operations of its PRC subsidiaries and expansion projects may be adversely affected, which in turn could harm the Group's business, results of operations and financial condition.

The uncertainties of the PRC legal system and its laws and regulations may have a negative impact on the Group's operations

The Group's core business is conducted in the PRC and substantially all of its operations are located in the PRC, hence its business operations are regulated primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law systems, past court judgments in the PRC have limited precedential value and may be cited only for reference. Furthermore, PRC written statutes often require detailed interpretations by courts and enforcement bodies for their application and enforcement. The PRC laws and regulations are still evolving and, because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement, and such uncertainties may have a negative impact on the Group's business and prospects.

The Group intends to continue exploring growth opportunities within other target industries in China with growth potential and thus may be subject to further laws and regulations applicable to these new industries. On 18 September 2013, MOFCOM promulgated the *Measures for Supervision and Administration of Financial Leasing Enterprises* (融資租賃企業監督管理辦法), which provides for a uniform regulatory system for the operation, supervision and administration of both foreign-invested and domestic-invested financial leasing enterprises. In accordance with the *Notice Concerning the Clarification of the Operating Rules with respect to the Settlement of Renminbi in the Context of Foreign Direct Investment* (關於明確外商直接投資人民幣結算業務操作細則的通知), promulgated by the PBOC on 14 June 2012 and amended on 5 June 2015, apart from some certain special types of foreign invested enterprises, such as foreign invested holding companies and foreign invested financial leasing companies, the total amount of the Renminbi and foreign currency loans of an foreign invested enterprise shall not exceed the difference between the total investment and its registered capital approved by relevant governmental authorities. On 8 May 2018, the General Office of MOFCOM promulgated the *Notice of the General Office of the Ministry of Commerce on Matters concerning the Adjustments to the Duties of Administration of Financial Leasing Companies, Commercial Factoring Companies and Pawnshops* (國務院辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知). According to the Notice, MOFCOM has transferred the duties of the development of the rules on business operations and regulation of financial leasing companies, commercial factoring companies and pawnshops to the CBIRC, and, from 20 April 2018, the relevant duties has been performed by the CBIRC. On 26 May 2020, the CBIRC has published the *Interim Measures for the Supervision and Management of Financial Leasing Companies* (融資租賃公司監督管理暫行辦法), which specified regulatory particulars for operations of financial leasing companies.

There is no assurance that the Group will not be subject to any further regulatory measures imposing stricter requirements such as further restrictions on the proportion of risky assets or the introduction of minimum capital adequacy requirements. If the Group fails to meet any such additional regulatory requirements, the CBIRC or other relevant regulators may take corrective actions (including, for example, restricting the growth of the Group's lease receivables and its business activities), thereby materially and adversely affecting the Group's business, results of operations and financial condition.

The issuance of the NDRC Circular is recent development and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds

According to the *Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (Fa Gai Wai Zi [2015] No. 2044)* (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號) issued by the National Development and Reform Commission (the "NDRC") which came into effect on 14 September, 2015 (the "NDRC Circular"), domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium-to-long term loans issued or incurred outside the PRC with the NDRC prior to the issuance of securities or loans, and report the particulars of the relevant issuance within 10 working days upon completion of each issuance. The issuance of the NDRC Circular is recent development and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds. In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretions by the NDRC. The NDRC Circular does not expressly state the legal consequences of non-compliance with the post-issue notification requirements under the NDRC Circular. However, the NDRC provided in its *Risk Reminder for the Issuance by Enterprises of Foreign Debt* (企業境外發行債券風險提示) on 12 June 2017 that it will consider to add non-compliance enterprises into a national adverse credit list and joint punishment list; therefore there is no assurance that the failure to comply with the NDRC requirements would not result in any other adverse consequences for the Issuer, the Guarantor, the Bonds or the investors in the Bonds. There is also no assurance that the registration certificate with the NDRC will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Bonds in the PRC.

Any failure to comply with PRC regulations regarding the Guarantor's employee equity incentive plans may subject the PRC plan participants or the Group to fines and other legal or administrative sanctions

The Guarantor is a company listed on the HKSE. Directors, executive officers and other employees of the Guarantor who are PRC citizens or who have resided in the PRC for a continuous period of not less than one year and who have been granted restricted shares (the "RSUs") or options will be subject to the *Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in*

Stock Incentive Plan of Overseas Publicly Listed Company (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), issued by SAFE in February 2012, according to which, employees, directors, supervisors and other senior management members participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company participating in such stock incentive plan, and complete certain other procedures. Failure to complete such SAFE registrations may subject them to legal sanctions and may also limit the participants' ability to receive dividends or sales proceeds from the Guarantor's equity incentive plans. There are also regulatory uncertainties that could restrict the Guarantor's ability to adopt additional equity incentive plans for its directors and employees under PRC law.

In addition, SAT has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise their share options or receive RSUs will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees related to their share options or RSUs. Although the Guarantor currently withholds income tax from its PRC employees in connection with their exercise of options and the granting of their RSUs, if the employees fail to pay, or the PRC subsidiaries fail to withhold the relevant taxes according to the applicable PRC laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

It may be difficult to effect service upon, or to enforce judgments against, the Group or the Directors or senior management residing in China in connection with judgments obtained from courts other than PRC courts

Although the Issuer is incorporated in the British Virgin Islands and the Guarantor is incorporated in Hong Kong, the sole director of the Issuer and most of the Guarantor's Directors and all of the members of the Guarantor's senior management reside in China. Almost all of the Group's assets and most of the assets of its Directors and the members of its senior management are located within China. Therefore, it may not be possible for investors to effect service of process upon the Issuer or Guarantor or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the "**Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing under the current Arrangement. However, the Arrangement will be abolished by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"), which was entered into by Hong Kong and the Supreme People's Court on 18 January 2019 and will come into force after the Supreme People's Court issues the judicial interpretation and the Hong Kong Special Administrative Region completes the relevant procedures. With some exceptions, the 2019 Arrangement applies to the reciprocal recognition and enforcement of effective judgments in civil and commercial cases between courts of the PRC and Hong Kong, and also applies to the reciprocal recognition and enforcement of effective judgments on civil compensation in criminal cases. The outcome and effectiveness of any action brought under the Arrangement or the 2019 Arrangement are uncertain, and it may be difficult or impossible for holders of the Bonds to effect service of process against the Issuer's or Guarantor's assets or Directors in China in order to seek recognition and enforcement for foreign judgments in China.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom or most other European countries, or Japan. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

The enforcement of the Labour Contract Law and other labour-related regulations in China may adversely affect the Group's business and its results of operations

In China, Labour Contract Law of the PRC (中華人民共和國勞動合同法), as amended in December 2012 with such amendments effect from 1 July 2013 (the “**Labour Contract Law**”), the *Interim Provisions on Labour Dispatching* (勞務派遣暫行規定) which came into effect on 1 March 2014 and the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008 provide for regulation on employment contract, temporary employment, paid vacation, employment termination and related compensation. These laws and regulation in general have improved employee benefit and protection, implemented more restrictions on the use of dispatched workers, temporary employees and increased cost to employers upon termination of employees. As a result of these protective labour measures or any additional future measures, the Group's labour costs may increase. The Group cannot give assurance that any disputes, work stoppages or strikes will not arise in the future.

The PRC Anti-Monopoly Law may restrict the Group's business dealings or require it to divest its shares in certain assets in China

The PRC Anti-Monopoly Law (中華人民共和國反壟斷法), which attempts to prevent monopolistic activities and protect fair competition in the PRC, became effective on 1 August 2008. It prohibits business entities (including the Group and all of its subsidiaries) from engaging in monopolistic behaviour, entering into monopolistic agreements, abusing a dominant market position or pursuing consolidations which exclude, restrict or potentially inhibit competition. The PRC Anti-Monopoly Law does not prohibit any business entity from increasing its market share to achieve or maintain a dominant market position through fair competition, nor does it set limits on the market share that any one entity can achieve or maintain in the PRC. The PRC Anti-Monopoly Law also provides clear standards under which business operators are excluded from anti-monopoly examination.

Under the PRC Anti-Monopoly Law, an entity that enters into monopolistic agreements or abuses its dominant market position may be subject to penalties, including confiscation of illegal gains and fines ranging from 1 per cent. to 10 per cent. of its revenue for the preceding year. If an entity pursues an illegal consolidation, it may be forced to terminate the consolidation, divest its shares and assets or businesses within a limited period of time or otherwise unwind the consolidation. The operating flexibility of the Group's PRC subsidiaries and the Group's business expansion through a merger with or acquisition of other competitors may be subject to strict examination and approval by SAMR, which is the main authority in charge of reviewing anti-monopoly issues related to business combinations. As the PRC Anti-Monopoly Law has not been fully interpreted and implemented, its effect on the Group's business is not yet known and it cannot give assurances that the relevant authorities will not interpret the law in such a manner or announce specific rules such that the implementation of the PRC Anti-Monopoly Law will affect its business in general or will contradict the PRC government's existing policies. In the event of non-compliance with the PRC Anti-Monopoly Law, the Group may be subject to substantial fines and other penalties. In the event of these circumstances, its business model and revenues may be materially and adversely affected.

RISKS RELATING TO THE BONDS, THE GUARANTEE AND THE SHARES

The Bonds are unsecured obligations.

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Conditions) unsecured obligations of the Issuer ranking *pari passu* among themselves. The payment obligations of the Issuer under the Bonds, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to the negative pledge contained in Condition 4(a) of the Conditions rank at least equally with all of its other present and future unsecured and unsubordinated obligations. The Guarantee will, similarly, constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Conditions) unsecured obligations of the Guarantor and shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to the negative pledge contained in Condition 4(a) of the Conditions, rank at least equally with all of its other present and future unsecured and unsubordinated obligations. Therefore, the Bonds and the Guarantee will be unsecured obligations of the Issuer and the Guarantor, respectively. The payment obligations under the Bonds and the Guarantee may be adversely affected if:

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

If any of the above events occurs, the Group's assets may not be sufficient to pay amounts due on the Bonds.

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

In certain circumstances (including, without limitation, being requested or directed by the Bondholders to declare the Bonds to be immediately due and payable pursuant to Condition 10 or to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed pursuant to Condition 13), the Trustee may request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions and/or steps and/or institutes proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such actions and/or steps and/or institute any such proceedings if it is not first indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding could be a lengthy process and may affect when such actions and/or steps can be taken or such proceedings may be instituted. The Trustee may not be able to take actions and/or steps and/or institute proceedings, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed and in such circumstances, or where there is uncertainty or dispute as to the applicable law or regulations, to the extent permitted by the agreements and the applicable law and regulations, it would be for the Bondholders to take such actions directly.

Bondholders will have no rights as holders of the Shares prior to conversion of the Bonds

Unless and until the Bondholders acquire the Shares upon conversion of the Bonds, Bondholders would have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. Upon conversion of the Bonds, these holders would be entitled to exercise the rights of holders of the Shares only as to actions for which the applicable record date occurs after the date of conversion.

Securities law restrictions on the resale and conversion of the Bonds may limit Bondholders' ability to sell the Bonds in the United States

The Bonds, the Guarantee and the Shares into which the Bonds are convertible have not been and will not be registered under the Securities Act, any State securities laws or the securities laws of any other jurisdiction. Unless and until they are registered, the Bonds and the Shares issuable upon conversion may not be offered, sold or resold except pursuant to an exemption from registration under the Securities Act and applicable State laws or in a transaction not subject to such laws. The Bonds are being offered and sold outside the U.S. in reliance on Regulation S under the Securities Act. Hence, future resales of the Bonds and the Shares into which the Bonds are convertible may only be made pursuant to an exemption from registration under the Securities Act and applicable State laws or in a transaction not subject to such laws.

The Bondholders may be subject to tax on their income or gain from the Bonds

Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of the acquisition, ownership or disposition (including upon conversion of the Bonds) of the Bonds or the Shares. See "*Taxation*" for certain British Virgin Islands, PRC and Hong Kong tax consequences.

Gains on the transfer of the Bonds may be subject to income tax under PRC tax laws

Under the Enterprise Income Tax Law of the PRC that came into effect on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, respectively (the "**EIT Law**") and its implementation rules, gains on the transfer of the Bonds may be subject to income tax under PRC tax laws.

In accordance with the EIT Law and its implementation regulations, a non-resident enterprise is generally subject to enterprise income tax at a rate of 10 per cent. with respect to PRC-sourced income if it (i) does not have an establishment or place of business in the PRC or (ii) has an establishment or place of business in the PRC but its PRC-sourced income is not connected with such establishment or place of business in the PRC. The aforesaid income tax payable by a non-resident enterprise is subject to withholding at source. The income tax must be withheld by the withholding agent at the time of payment of the gains. This tax could be exempted or reduced in accordance with the relevant tax treaty or agreement for avoiding

double taxation. As at the date of this Offering Circular, no specific legislation or implementation rule has expressly provided whether it is required to and how to collect the tax from non-PRC resident enterprises on gains derived by them from the sale or transfer of the Bonds. It is possible that taxation authorities may formulate and promulgate specific implementation rules or relevant regulations for the collection of enterprise income tax on such gains in the future.

In addition, according to the Individual Income Tax Law of the PRC as amended on 30 June 2011 and 31 August 2018 and took effect on 1 January 2019 (the “**IIT Law**”) and the implementation regulations, non-resident individuals are generally subject to individual income tax at a rate of 20 per cent. with respect to PRC-sourced income from interest, dividends and transfer of property unless such tax is reduced or exempted under relevant double taxation treaties. Under the IIT Law, a “non-resident individual” means any non-resident PRC individual who has no domicile and does not reside in the PRC or who has no domicile and has resided in China for less than 183 days within one tax year. As at the date of this Offering Circular, no specific legislation or implementation rules have expressly provided whether it is required to and how to collect the tax from non-PRC resident individuals on the gains derived by them from the sale or transfer of the Bonds. It is possible that taxation authorities may formulate and promulgate specific implementation rules or relevant regulations for the collection of individual income tax on such gains in the future.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Bonds, the value of the relevant Bondholder’s investment in the Bonds may be materially and adversely affected. See “*Taxation – PRC Taxation*”. Any payment of default interest on the Bonds would be subject to withholding at a rate of 10 per cent. for non-PRC resident enterprises and at a rate of 20 per cent. for non-PRC resident individuals.

The market value of the Bonds may fluctuate

Trading prices of the Bonds are influenced by numerous factors, including the results of operations and/or financial condition and business strategy (in particular further issuance of debt or corporate events such as share sales, reorganisations, takeovers or share buybacks) of the Group and/or the subsidiaries and/or associated companies of the Group, political, economic, financial, regulatory and any other factors that can affect the capital markets, the industry, the Group and/or the subsidiaries and/or associated companies of the Group generally. Adverse economic developments in the PRC could have a material and adverse effect on the results of operations and/or the financial condition of the Group and/or the subsidiaries and/or associated companies of the Group.

In addition, the market price of the Bonds is expected to be affected by fluctuations in the market price of the Shares. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of such Shares for future issue or sale, would have on the market price of the Shares prevailing from time to time and therefore on the market price of the Bonds. Disposals of Shares by shareholders or a perception in the market that such disposals could occur, may adversely affect the prevailing market price of the Shares and the Bonds.

The return on the Bonds may decrease due to inflation

Bondholders may suffer erosion on the return of their investments due to inflation. Bondholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Bonds. An unexpected increase in inflation could reduce the actual returns.

An active trading market for the Bonds may not develop

The Bonds are a new issue of securities for which there is currently no trading market. Application has been made to the Hong Kong Stock Exchange for the listing, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. However, no assurance can be given that an active trading market for the Bonds would develop or as to the liquidity or sustainability of any such market, the ability of Bondholders to sell their Bonds or the price at which Bondholders would be able to sell their Bonds. If an active market for the Bonds fails to develop or be sustained, the trading price of the Bonds could fall.

If an active trading market were to develop, the Bonds could trade at prices that may be lower than their initial offering price. Whether or not the Bonds would trade at lower prices depends on many factors, including:

- prevailing interest rates and the markets for similar securities;
- the price of the Shares;
- the market prices of the Bonds;
- the publication of earnings estimates or other research reports and speculation in the press or the investment community;
- changes in the Group's industry and competition; and general market and economic conditions; or
- the Group's financial condition and historical financial performance and future prospects.

One or more initial investors may purchase a majority of the Bonds and may therefore be able to exercise certain rights and powers on its own which will be binding on all holders. Additionally, this may reduce the liquidity of the Bonds in the secondary trading market

One or more initial investors may purchase a majority of the aggregate principal amount of the Bonds in this offering. Any holder of a majority aggregate principal amount of the Bonds will be able to exercise certain rights and powers on its own under the Conditions and Trust Deed, which will be binding on Bondholders. For example, the Bonds and the Trust Deed may be amended with the consent of the holders of a majority of the aggregate principal amount of the Bonds, and any Event of Default or non-compliance with any provision of the Conditions and the Trust Deed may be waived with the consent of the holders of a majority of the aggregate principal amount of the Bonds, subject in each case to certain exceptions in connection with the reserved matters set forth in the Trust Deed. Accordingly, any holder of a majority in aggregate principal amount of the Bonds will be able to exercise such rights and powers on its own, which will be binding on all Bondholders and control the outcome of votes on such matters. Subject to certain exceptions, a holder of the relevant percentage of Bonds outstanding may by way of written resolutions in accordance with the Trust Deed direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. In addition, holders of at least sixty-six and two-third percentage of the aggregate principal amount of the Bonds will be able to vote on reserved matters, including reduction or cancellation of the Bonds, which decision will be binding on all Bondholders. Further, any holder of a significant percentage of the Bonds, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by Bondholders. For example, holders of at least 25% of the aggregate principal amount of the Bonds may, subject to the provisions of the Trust Deed, direct the Trustee to declare all the Bonds to be due and payable immediately if an Event of Default has occurred. Additionally, the existence of any such significant Bondholder may reduce the liquidity of the Bonds in the secondary trading market.

The Bonds may not be a suitable investment for all investors

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Bonds;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds 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 Bonds unless he/she has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

The Bonds contain provisions regarding modification and waivers, which could affect the rights of Bondholders

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

The Conditions also provide that the Trustee may, without the consent of the holders of the Bonds, agree to any modification (other than in respect of certain reserved matters) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement and/or the Trust Deed (including an Event of Default and a Potential Event of Default (as defined in the Trust Deed)) which in the opinion of the Trustee would not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Bonds, the Agency Agreement or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or is to correct a manifest error or to comply with mandatory provisions of law.

If the Issuer, the Guarantor or any of their respective subsidiaries is unable to comply with the restrictions and covenants in their respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of its debt to be accelerated

If the Issuer, the Guarantor or any of their respective subsidiaries is unable to comply with the restrictions and covenants in their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's or the Guarantor's debt agreements, contain cross-acceleration or cross-default provisions. As a result, a default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under the Issuer's the Guarantor's or such other subsidiary's other debt agreements. If any of these events occur, there is no assurance that the Issuer or the Guarantor would have sufficient assets and cash flow to repay in full all of its indebtedness, or that the Issuer or the Guarantor would be able to find alternative financing. Even if the Issuer or the Guarantor could obtain alternative financing, it could not guarantee that it would be on terms that are favourable or acceptable to the Issuer or the Guarantor.

Renminbi is not freely converted into foreign currency and remitted out of China, which may limit our ability to utilise its revenue effectively and affect the value of your investment

We expect that a substantial majority of our future revenues will be denominated in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer, the Guarantor and/or the investors in the Bonds

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and file the particulars of the relevant issue within 10 Registration Business Days (as defined in the Conditions) after the completion of the issue of (each installment of) the securities. However, there is no clarity on the actual legal consequences of non-compliance with the post-issue filing requirement under the NDRC Circular. Failure to comply with the post-issuance filing requirement may result in the relevant entities being put on the credit blacklist in the PRC and subject them to credit-related sanctions. Potential investors in the Bonds are advised to exercise due caution when making their investment decisions.

Exchange rate risks and exchange controls may affect an investor's returns on the Bonds

The Group will pay principal on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (i) the Investor's Currency-equivalent yield on the Bonds; (ii) the Investor's Currency-equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less principal than expected, or no principal.

Legal investment considerations may restrict certain investments

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:

- the Bonds are legal investments for it;
- the Bonds can be used as collateral for various types of borrowing; and
- any other restrictions apply to its purchase or pledge of the Bonds.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

The Issuer's ability to make payments under the Bonds depends on timely payments by the Guarantor or its subsidiaries and affiliates under the on-lent loans

The Issuer is an indirect wholly-owned subsidiary of the Guarantor with limited operations of its own and will on-lend the entire proceeds from the issue of the Bonds to the Guarantor or its subsidiaries and affiliates. The Issuer has limited net assets other than such loans and its ability to make payments under the Bonds depends on timely payments under such loans. In the event that the Guarantor or its subsidiaries and affiliates do not make such payments, due to the Guarantor's lack of available cash flow or other factors, the Issuer's ability to make payments under the Bonds may be adversely affected.

The insolvency laws of the British Virgin Islands and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Bonds are familiar

Since the Issuer is incorporated under the laws of the British Virgin Islands, an insolvency proceeding relating to the Issuer, even if brought in other jurisdictions, would likely involve British Virgin Islands (as the case may be) insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. The Group conducts most of our business

operations in the PRC. The laws and regulations in the PRC 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 Bonds are familiar. Investors should analyse the risks and uncertainties carefully before they invest in the Bonds.

Potential dilution of the ownership interest of existing Shareholders

The conversion of some or all of the Bonds will dilute the ownership interests of the existing shareholders of the Guarantor. The dilution of the ownership interest of the existing shareholders of the Guarantor as a result of the conversion of some or all of the Bonds may result in them not being able to exercise control over the Guarantor. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the existence of the Bonds may facilitate short selling of the Shares by market participants.

The Group relies on dividends paid by its subsidiaries for cash needs, and limitations under PRC laws on the ability of the Group's PRC subsidiaries to distribute dividends to the Group could adversely affect the Group's ability to utilise such funds

As a holding company, the Guarantor relies on dividends paid by its PRC subsidiaries for the Group's cash and financing requirements, including the funds necessary to perform its payment obligations under the Bonds, to service any foreign currency debt the Group may incur and to make any offshore acquisitions. If any of the Group's PRC subsidiaries incur debt on its own behalf in the future, the loan agreements may restrict its ability to pay dividends or make other distributions to the Group. Under PRC laws and regulations, the Group's PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, an enterprise registered in the PRC is required to set aside at least 10 per cent. of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50 per cent. of its registered capital. Such reserve funds cannot be distributed to the Group as dividends. These limitations on the ability of the Group's PRC subsidiaries to transfer funds to the Group limit the Group's ability to receive and utilise such funds.

As a result of the foregoing, there is no assurance that the Guarantor will have sufficient cash flow from dividends or advances from its subsidiaries to satisfy its obligations under the Guarantee. Should the Guarantor be unable to make due payments under the terms of the Guarantee, the Bondholders would need to rely on the Trustee to take enforcement actions to recover their investment in the Bonds, the prospects of which are uncertain.

The Bonds and the Guarantee will be structurally subordinated to subsidiary debt

Payments under the Bonds and the Guarantee will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Issuer's and the Guarantor's subsidiaries, and to all secured creditors of the Issuer and the Guarantor. A substantial part of the Guarantor's operations are conducted through its subsidiaries, associated companies and jointly controlled entities. Accordingly, the Guarantor is and will be dependent on the operations of its subsidiaries, associated companies and jointly controlled entities to service its indebtedness, including payments on the Bonds. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Issuer or the Guarantor, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Issuer or the Guarantor (as the case may be).

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

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

Credit ratings of the Bonds, the Issuer and the Guarantor may not reflect all risks and may be downgraded or withdrawn

One or more independent credit rating agencies may assign credit ratings to the Bonds, the Issuer and the Guarantor. Ratings represent the respective opinions of these rating agencies and their respective assessments of the abilities of the Issuer and the Guarantor to perform their obligations under the Bonds, and may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities. In addition, ratings can be lowered or withdrawn at any time. On 23 June 2020, Fitch Ratings announced that it has affirmed and subsequently withdrawn ratings for certain debt securities in connection with the Guarantor. The Issuer and the Guarantor are not obliged to inform investors in the event that ratings are lowered or withdrawn. A reduction or withdrawal of ratings may adversely affect the market price of the Bonds and the abilities of the Issuer and the Guarantor to access debt capital markets.

The Issuer and the Guarantor may not have the ability to redeem the Bonds

Bondholders may require the Issuer, subject to certain conditions, to redeem for cash some or all of their Bonds at the option of the Bondholders upon a Relevant Event as described under “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Event*” or on the Put Option Date as described under “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the Option of the Bondholders*”. The Issuer or the Guarantor (whom will be required to make payments pursuant to the Guarantee) may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. The Issuer’s or the Guarantor’s ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Issuer or the Guarantor would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness held by the Issuer or the Guarantor.

The Bonds may be early redeemed at the Issuer’s option

The Issuer may, on giving not less than 30 nor more than 60 days’ notice to the Bondholders and in writing to the Trustee and the Principal Agent, redeem the Bonds in whole, but not in part at the Early Redemption Amount: (i) at any time after 6 July 2024, **provided that** the Closing Price of the Shares (derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange and translated into U.S. dollars at the Prevailing Rate), for each of 20 out of 30 consecutive Trading Days, the last of which occurs not more than 10 Trading Days prior to the date upon which notice of such redemption is published, was at least 125 per cent. of the applicable Early Redemption Amount for each Bond divided by the Conversion Ratio then in effect; or (ii), at any time if, prior to the date of such notice, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions shall have been effected in respect of 90 per cent. or more in aggregate principal amount of the Bonds originally issued. In addition, the Bonds may be redeemed at the option of the Issuer in whole and not in part, on giving not less than 30 days’ nor more than 60 days’ notice to the Bondholders and in writing to the Trustee and the Principal Agents, at the Early Redemption Amount if the Issuer satisfies the Trustee that the Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as a result of certain events set out in the Conditions and such obligation cannot be avoided by the Issuer (or as the case may be, the Guarantor) taking reasonable measures available to it. As a result, the trading price of the Bonds may be affected when any redemption option of the Issuer becomes exercisable. Accordingly, Bondholders may not be able to sell their Bonds at an attractive price, thereby having a material adverse effect on the trading price and liquidity of the Bonds.

Bondholders have limited anti-dilution protection

The Conversion Price will be adjusted in the event that there is a sub-division, consolidation or re-classification, rights issues, bonus issue, reorganisation, capital distribution or other adjustment including an offer or scheme which affects Shares, but only in the circumstances and only to the extent provided in “*Terms and Conditions of the Bonds – Conversion*”. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

Short selling of the Shares by Bondholders could materially and adversely affect the market price of the Shares

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Investors in convertible securities may seek to hedge their exposure in the underlying equity securities, often through short selling of the underlying equity securities or similar transactions. Any short selling and similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares owned by an investor as well as on the trading price of the Bonds.

Future issuances of Shares or equity-related securities may depress the trading price of the Shares

Any issuance of the Guarantor's equity securities after this offering could dilute the interest of the existing shareholders and could substantially decrease the trading price of the Shares. The Guarantor may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust its ratio of debt-to-equity, to satisfy its obligations upon the exercise of outstanding warrants, options or other convertible bonds or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Shares. The Guarantor cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Guarantor and by hedging or engaging in arbitrage trading activity involving the Bonds.

There may be less publicly available information about the Guarantor than is available for public companies in certain other jurisdictions

There may be less publicly available information about companies listed in Hong Kong, such as the Guarantor, than is regularly made available by public companies in certain other countries. In addition, our financial information in this Offering Circular has been prepared in accordance with HKFRS which differ in certain respects from generally accepted accounting principles ("GAAPs") in certain jurisdictions which might be material to the financial information contained in this Offering Circular. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and our financial information, and should consult their own professional advisers for an understanding of the differences between HKFRS and the GAAPs in their home jurisdictions and how those differences might affect the financial information contained in this Offering Circular.

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

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

While the Bonds are represented by the Global Bond Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the common depository for Euroclear and Clearstream, for distribution to their account holders. A holder of a beneficial interest in the Global Bond Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bond Certificate.

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

USE OF PROCEEDS

The estimated net proceeds from the issue of the Bonds (being the gross proceeds after the deduction of commission and expenses) amount to approximately U.S.\$246 million, which will be used for working capital and general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

Capitalisation of the Group

The following table sets out the consolidated capitalisation of the Group as derived from the Guarantor's consolidated financial statements and adjusted to give effect to the issue of the Bonds (before deducting the fees and other expenses in connection with the issue of the Bonds). It should be read in conjunction with the consolidated financial statements of the Group and the notes thereto included in this Offering Circular.

	As at 31 December 2020			
	Actual		As adjusted	
	(RMB'000)	(USD'000)	(RMB'000)	(USD'000)
Interest-bearing bank and other borrowings				
– Current	103,931,451	15,928,192	103,931,451	15,928,192
– Non-current	98,360,630	15,074,426	98,360,630	15,074,426
– Convertible bonds-host debts	2,924,074	448,134	2,924,074	448,134
– Bonds to be issued ⁽¹⁾	—	—	1,631,250	250,000
Total borrowings	205,216,155	31,450,752	206,847,405	31,700,752
Equity				
Equity attributable to ordinary shareholders of the parent				
– Share capital	10,397,104	1,593,426	10,397,104	1,593,426
– Equity component of convertible bonds	338,050	51,808	338,050	51,808
– Reserves	23,384,298	3,583,800	23,384,298	3,583,800
	34,119,452	5,229,034	34,119,452	5,229,034
– Holders of perpetual securities	8,478,063	1,299,320	8,478,063	1,299,320
– Non-controlling interests	2,669,618	409,137	2,669,618	409,137
Total equity	45,267,133	6,937,491	45,267,133	6,937,491
Total capitalisation ⁽²⁾	250,483,288	38,388,243	252,114,538	38,638,243

Notes:

(1) Refers to the aggregate principal amount of the Bonds (before deducting the fees and other expenses in connection with the issue of the Bonds). This amount has been translated into Renminbi based on the exchange rate set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States as at 31 December 2020, which was RMB6.5250 per U.S.\$1.00.

(2) The capitalisation represents the sum of total equity and total borrowings.

As at 18 January 2021, all the outstanding U.S.\$200,000,000 in aggregate principal amount of zero coupon guaranteed convertible bonds issued by the Issuer on 4 December 2020 with a due date on 4 December 2025 (the “**Existing Bonds**”) had been fully converted into ordinary shares of the Guarantor in accordance with the terms and conditions of the Existing Bonds. Accordingly, there were no outstanding Existing Bonds in issue as at 18 January 2021. The Issuer and the Guarantor have withdrawn the listing of the Existing Bonds from the Hong Kong Stock Exchange. In March 2021, the Guarantor issued U.S.\$500,000,000 2.625 per cent. notes due 2024 under a U.S.\$4,000,000,000 medium term note and perpetual securities programme.

Save as indicated in this Offering Circular, there has been no material change in the capitalisation of the Group since 31 December 2020.

DESCRIPTION OF THE ISSUER

Formation

The Issuer is a BVI business company incorporated under the BVI Business Companies Act, 2014, of the British Virgin Islands. It was incorporated in the British Virgin Islands on 13 March 2018 with Grand Light Development Limited as its sole shareholder holding one share of a par value of U.S.\$1.00. The Issuer is indirectly wholly-owned by the Guarantor. Its registered office is at Start Chambers, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands.

Business Activities

The Issuer has not undertaken any business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as an indirect wholly-owned subsidiary of the Guarantor. As at the date of this Offering Circular, other than the non-current liability incurred by the Issuer as a result of its issue of U.S.\$300,000,000 2.50 per cent. guaranteed convertible bonds due 2025, the Issuer does not have any debt outstanding.

Financial Statements

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

Sole Director

The sole director of the Issuer is Mr. Wang Mingzhe and he does not hold any shares or options to acquire shares of the Issuer.

The Issuer does not have any employees and has no subsidiaries.

Authorised Shares

Issuer is authorised to issue a maximum of 50,000 shares of a par value of U.S.\$1.00 each and one share has been issued to, and is held by, Grand Light Development Limited. 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.

Legal Proceedings

As at the date of this Offering Circular, the Issuer is not involved in any litigation or arbitration proceedings, and it is not aware of any pending or threatened action against it.

DESCRIPTION OF THE GUARANTOR

Overview

The Group is one of China's leading innovative financial service companies, specialised in providing (i) customised financing solutions, through equipment-based financial leasing, and (ii) extended value-added services to customers in targeted major industries in China. International Far Eastern Financial Leasing Co., Ltd., the Group's major operating subsidiary for its leasing business, has 29 years of operating history since its establishment. Other principal operating subsidiaries include Far East Horizon (Tianjin) Financial Co., Ltd., Far East Horizon Financial Leasing Co., Ltd. and Shanghai Horizon Construction Development Co., Ltd. In 2000, Sinochem Group and its subsidiaries acquired control of the Group, and in 2001, the Group's operating centre was relocated from Shenyang to Shanghai to establish its market position and enhance its business contacts within China's financial, trade and transportation hub.

The Group's current business mainly concentrates in the following nine major industries:

- Healthcare – this industry business segment mainly provides financial leasing, advisory and trading services for public and private hospitals throughout China. This business segment ceases to provide services to pharmaceutical manufacturing enterprises and medical equipment manufacturing enterprises when compared to 2018.
- Culture & tourism – this industry business segment mainly focuses on educational institutions and cultural venues. The leased educational equipment mainly comprises information technology equipment, laboratory equipment and practical training equipment. Relying on industry knowledge and close relationship with the clients, the Group extends its service to advisory services (e.g. working capital and cash flow management consulting) as well as management consulting services (e.g. national policy analysis).
- Engineering construction – this industry business segment mainly provides infrastructure construction equipment financial leasing services to mid-to-high-end construction companies within China. In light of China's rapidly developing urbanisation and increasing demand for the construction of basic infrastructure, the Group extended its services to three major sectors of the construction industry, namely construction, construction materials, electric power production and supply.
- Machinery – this industry business segment mainly provides machinery equipment financial leasing services for manufacturing companies in China with a primary focus on automobile parts producers, with the aim of achieving sustainable growth and technology enhancement in the Chinese manufacturing industry.
- Chemical & medicine – this industry business segment mainly offers equipment financial leasing services for various chemical industries in China, primarily focusing on chemical companies and pharmaceutical manufacturing.
- Electronic information – this industry business segment mainly includes the segment sectors of the electronic information manufacturing, information technology application and information transportation and services.
- Livelihood & consumption – this industry business segment involves the segment sectors of manufacturing, packaging, food, textile and light industry and commercial and retail industries.
- Transportation & logistics – this industry business segment mainly includes the segment sectors of the transportation infrastructure, transportation services, transportation extension services, materials and trading, farming, forestry, animal husbandry and fishery and green ecology industries.
- Urban public utility – this industry business segment mainly includes the segment sectors of urban infrastructure construction, urban operation and municipal services.

Based on its operational philosophy and development strategy of “finance + industry”, the Group endeavours to realise its vision of “integrating global resources and promoting China’s industries” by innovating its products and services to provide its customers with tailor-made integrated operations services. For more than a decade, the Group has been leading the development of the industries in which it has been actively participating in. In 2016, the Group was listed on the China Fortune 500. In 2017, the group became one of the Forbes Global 2000 and was included in FTSE4Good Index. Over the past 10 years, the Group has been leading the development of the PRC leasing industry, and has been listed among the Fortune China 500 and Forbes Global 2000. The FTSE4Good Index Series is an index designed to measure the performance of companies demonstrating strong environmental, social and governance practices. The Group’s inclusion into the China Fortune 500, the Forbes Global 2000 and FTSE4Good Index Series indicates that the scale of the Group’s business has officially entered the ranks of important companies in the world, and the business model and operating results have been widely recognised in the global market. In 2019, the Group received the honourable title of “4A-grade Social Organisation” and received, for the fifth consecutive year, the full score under the CFC Foundation Transparency Index, ranking first in China. These awards and honours show not only the Group’s excellent performance in the financing services industry, but also its social responsibility awareness.

The Group’s typical leasing business model provides its customers with a commercial arrangement whereby: (i) its customer, as the lessee, will select an asset (such as equipment); (ii) the Group, as lessor, will then purchase that asset; (iii) the lessee will have use of that asset for the duration of the lease; (iv) the lessee will make a series of rental payments for the use of that asset; (v) the Group will recover a majority or the entire cost of the asset and earn interest from the rental payments made by the lessee; and (vi) the lessee has the option to acquire ownership of the asset from the Group upon expiry of the lease term.

By leveraging its understanding of the customers’ specific needs in each target industry, the Group also provides extended value-added services primarily comprising advisory, engineering, trading and brokerage services to its customers. This has enabled the Group to develop a distinctive business model through which it provides an integrated range of tailor-made financial services, develops deeper customer relationships, enhances the effectiveness of its risk management systems, and leverages its accumulated industry and management expertise to expand into other target industries in China with promising growth potential.

The following sets out an overview of the growth of the Group’s focus on target industries:

- Between 2011 and 2012, the Group further expanded its business operations into the textile (now part of the Group’s livelihood & consumption industry business segment) and electronic information industries (having first consolidated and incorporated the electronic information business in the earlier machinery business into other industries), increasing its focus from six business segments to eight.
- In 2013, the Group resolved to build up a whole-packaging industry chain to expand the scope of its printing business and enhance its operating capabilities by renaming the printing sector as the packaging sector. Further, in order to get involved in areas of railway transportation, pipeline transportation and smart logistics, the Group also renamed its shipping sector as the transportation sector in the same year.
- In 2015, the Group established a new business segment, namely the urban public utility business segment, which focuses on providing a wide range of financial products and professional consulting services to China’s urban utilities industry, increasing its portfolio of focused business segments from eight to nine. In the same year, amidst slow macroeconomic growth, intensified competition in the financial market and downturn of industries, the Group continued to integrate its finance business and industrial operation business, and focused on healthcare, infrastructure construction and education business sectors, and maintained stable business growth.
- In 2018, under the operational philosophy of “finance + industry”, the Group continued to implement the principle of healthy operations, strengthened its strategic guidance, focused on reducing operational risks and improved asset security. The Group also reconfigured its industries focus from nine to seven, being healthcare, education, infrastructure construction, industry and machinery, livelihood & consumption, transportation & logistics and urban public utility.

- In 2019, in order to adapt to the external environment, especially for the continuously changing industry and to optimise its organisational structure, the Group reconfigured the original seven industry layout into nine industries to cover healthcare, culture & tourism, engineering construction, machinery, chemical & medicine, electronic information, livelihood & consumption, transportation & logistics and urban public utility.

In terms of healthcare services, the Group's expanding and leading hospital operational and management business covers, as at 31 December 2020, 29 controlled hospitals with more than 12,000 available beds, forming a preliminary national hospital operation network in regions including East China, Southern China, Northern China, Southwest and Northeast China. The Group has developed strong industry expertise in the healthcare industry and is able to customise its services and enhance its sales and marketing capabilities primarily through: (i) establishing a dedicated sales team comprising former healthcare industry professionals which have been honed within the context of the healthcare industry; (ii) establishing its business network which is in close proximity to its customers' operations throughout China; (iii) maintaining close and regular contact with its customers by organising industry exhibitions and forums, and participating in industry specific associations to gain market information on the latest market trends within the healthcare industry; (iv) leveraging its established relationships with sales agents of healthcare equipment in order to source suitable healthcare equipment to better serve its customers and enhance its competitiveness; and (v) forming its operating pattern integrated by finance, hospital, management and engineering through continuously improving its professionalism in those aspects.

In terms of culture & tourism services, the Group has focused on high-end early childhood education and international high school education. The Group has been actively exploring opportunities to establish a high-end education institute network in major cities in the PRC. As at 31 December 2020, the Group operated 11 kindergartens and four schools. Due to the tightening of education industry policies, the Group, at this time, has no plan to acquire or open new schools and kindergartens, however, it does plan to make extensions on original sites, improve the quality of education and fineness of operation management, adhere to the idea of exquisite schools, and continue to work hard for the private and boutique education system with high reputation brand, strong service capability and the most distinctive characteristics. The Group intends to adjust its development strategy according to changes in external educational policies, refining its services, improving the quality of its teaching, thereby providing students with a good study environment based on the "school + ground" concept and striving to become a boutique private education provider that is well known for its good reputation, strong service capabilities and distinguishing traits.

In terms of engineering construction services, the Group relies on more than 12 years experience, with a focus on infrastructure investment. The Group continues to explore integrated operation services such as equipment operation, engineering services and Public-Private-Partnership (PPP), in order to improve the service system for the Group's investments, financing, construction and operations. The Group has followed the trend of new industry development and has implemented a series of measures, such as adjustment of asset structures, enhancement of customer structures, expansion of business sites and development of comprehensive businesses. In 2019, the Group maintained its leading position in the PRC in terms of asset scale for high-altitude vehicles, turnover materials and new formworks. The Group continuously enhances operating network density and accelerates operating network expansion to realise coverage and in-depth expansion to major cities in China. As at 31 December 2020, the Group had 207 service outlets across 133 cities. At the same time, the Group also actively explored the overseas market, and gradually established overseas operations. As at 31 December 2020, the Group operated in six countries and regions. In addition, Horizon Construction Development also developed and facilitated the online marketing channels such as "Far East e Market" and "Horizon Equipment high-altitude vehicles", thus realising one-stop service for equipment leasing and trading.

In terms of urban public utility services, the Group established its urban public utility business unit in 2015. Through this sector, the Group aims to seize the opportunities arising from the development of China's urban public utilities by providing a wide range of financial products and professional consulting services to three main urban public utility industries, namely urban infrastructure construction, urban operation and municipal services. The Group has established extensive cooperative relations with domestic and overseas renowned manufacturers, agencies, associations, research institutions, government authorities and other business partners and built a nationwide service network with a mature business process management system. The business scope of this business sector mainly comprises: (i) financing services, including providing financing for equipment purchase, sale-leaseback of current assets, operating

lease, factoring and commercial paper financing; (ii) capital services, including making equity investments as strategic investor, acting as financial adviser in mergers and acquisitions and providing consulting services; and (iii) industrial services, including investing in PPP projects, cooperating with government authorities on industrial investment funds and providing value-added services.

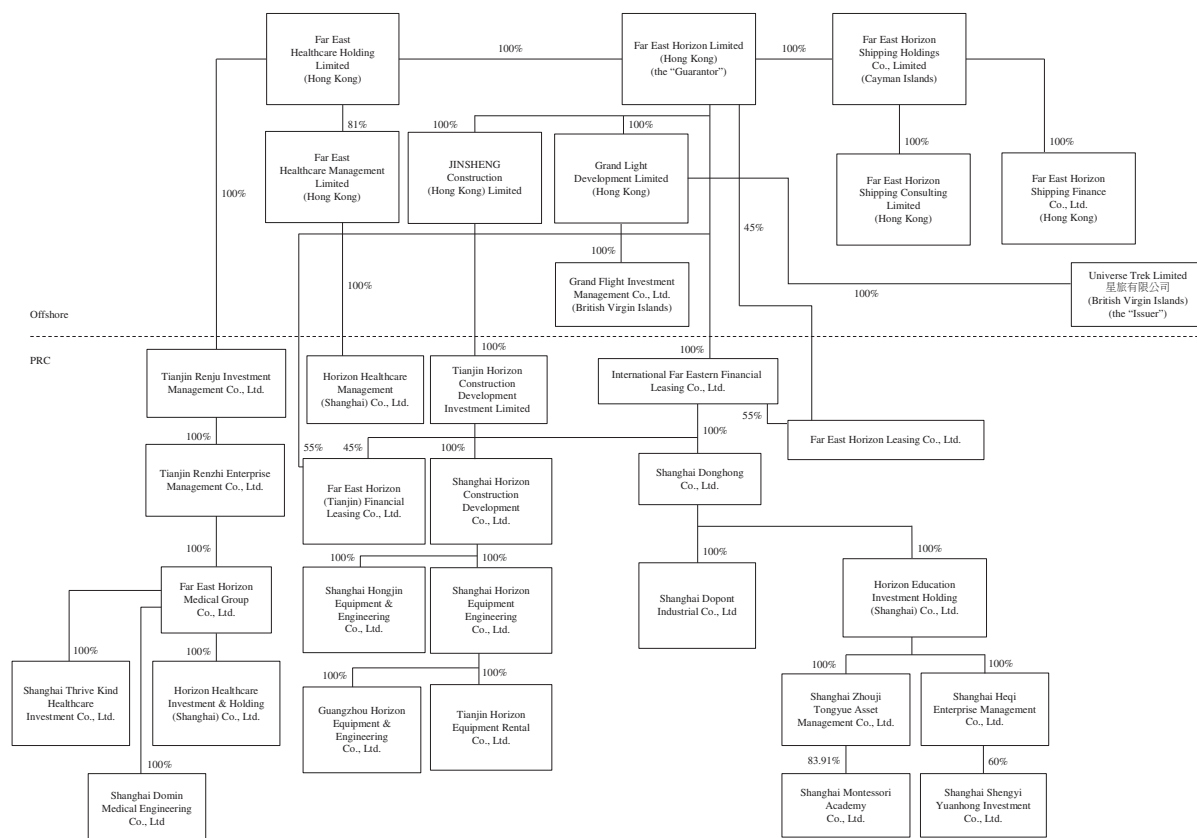
As at 31 December 2020, the Group's total interest-earning assets increased to approximately RMB235.4 billion from RMB203.1 billion as at 31 December 2019, representing an increase by 15.9 per cent., mainly due to: (i) the Group's business expansion and in-depth exploration of industries in chemical & medicine, urban public utility, livelihood & consumption, electronic information, machinery and engineering construction, expanding the customer base in the above industries and increasing the introduction of high-quality customers in the above industries; (ii) the Group's adaptation to the changes in the macro economy and the trend of the industrial environment and adjustments to the layout of key industries; and (iii) the Group's continuous maintenance of quality industries and customers and exploration of their needs for financial service. For the years ended 31 December 2018, 2019 and 2020, the Group's consolidated revenue was approximately, RMB25,378.6 million, RMB26,856.5 million and RMB29,041.8 million, respectively, and its net lease receivables as at 31 December 2018, 2019 and 2020 were, RMB206,316.5 million, RMB186,868.9 million and RMB208,625.2 million, respectively. For the year ended 31 December 2020, the Group's net profit attributable to shareholders of ordinary shares amounted to RMB4.6 billion, representing a year-on-year increase of approximately 5.5 per cent. As at 31 December 2020, the non-performing asset ratio was 1.10 per cent., while the ratio of overdue interest-bearing assets past 30 days was approximately 0.99 per cent.

Group History and Structure

The Guarantor is a company listed on the HKSE. It is also the ultimate holding company of the Group's principal operating subsidiaries, International Far Eastern Financial Leasing Co., Ltd. ("**Far Eastern**"), Far East Healthcare Holding Limited, Far East Horizon Shipping Holdings Co., Limited ("**FEH Shipping**"), Shanghai Donghong Industrial Development Co., Ltd. ("**Shanghai Donghong**"), Far East Horizon (Tianjin) Financial Leasing Co., Ltd. ("**Far East Tianjin**"), Far East Horizon Financial Leasing Co., Ltd. ("**Far East Financial**") and Horizon Construction Development.

Far Eastern, one of the Group's principal operating subsidiaries, was established in 1991 as an equity joint venture enterprise in Shenyang, China. The registered office of Far Eastern was relocated to Shanghai in 2001, which was an important step in the commencement of the Group's strategy to focus on China's major industries with sustainable growth potential through its operations in the healthcare industry. In the following few years, the Group gradually entered into the other key industries. In 2008, the Guarantor was incorporated in Hong Kong. In 2009, three strategic investors, KKR Future Investment (an affiliate of KKR Asian Fund L.P.), Techlink (an affiliate of Government of Singapore Investment Corporation (Ventures) Pte. Ltd.) and Target Magic Limited (an affiliate of CICC fund) became shareholders of the Guarantor. In 2006, the Group established Shanghai Donghong, through which it conducts its trading business. In 2009, FEH Shipping (formerly named Sino Advance Limited) was established for the development of the offshore ship leasing and ship brokerage business of the Group. On 30 March 2011, the Guarantor became listed on the HKSE. In July 2011, Shanghai Horizon Equipment Engineering Co., Ltd. was established in the PRC to carry on the business of operating lease of construction machinery and related equipment. In December 2013, Far East Tianjin was established in the PRC to focus on the provision of financial services. The company mainly caters to the needs of clients in North China, and with finance leasing as its core business, it helps clients solve financial and capital problems that they encounter during the development process. In January 2017, Far East Financial was established in the PRC to provide financial services to clients in East China. In 2014, the Group actively integrated its internal resources and incorporated Horizon Construction Development as a comprehensive equipment service provider in the construction sector in China, mainly engaged in the lease of equipment and engineering construction in the fields of industrial equipment, turnover materials, pavement equipment and electric power equipment. As at 31 December 2020, the market capitalisation of the Guarantor was HK\$31.75 billion.

The following sets out the Group's simplified corporate structure as at 31 December 2020:



Recent Developments

The Group has continued to enhance its operating capabilities and management level, as well as its comprehensive service capabilities. For the three months ended 31 March 2021, the Group's operating income and profit attributable to shareholders of ordinary shares increased by more than 30% and approximately 30%, respectively, as compared with the same period in 2020.

As at 18 January 2021, all the outstanding U.S.\$200,000,000 in aggregate principal amount of zero coupon guaranteed convertible bonds issued by the Issuer on 4 December 2020 with a due date on 4 December 2025 (the "Existing Bonds") had been fully converted into ordinary shares of the Guarantor in accordance with the terms and conditions of the Existing Bonds. Accordingly, there were no outstanding Existing Bonds in issue as at 18 January 2021. The Issuer and the Guarantor have withdrawn the listing of the Existing Bonds from the Hong Kong Stock Exchange. In March 2021, the Guarantor issued U.S.\$500,000,000 2.625 per cent. notes due 2024 under a U.S.\$4,000,000,000 medium term note and perpetual securities programme.

Business Segments

The Group categorises its business operations into two major business segments: (i) financial and advisory segment; and (ii) industrial operation segment. The Group's financial and advisory segment relates to the provision of financial leasing services and advisory services. Its industrial and operation segment primarily relates to the provision of trading and brokerage services. The following table sets forth the contribution (before business taxes and surcharges) of each of: (i) financial services (interest income); (ii) advisory services (fee income); and (iii) industrial operation to the total revenue of the Group (before business taxes and surcharges) for the years indicated:

	Year ended 31 December					
	2018		2019		2020	
	RMB'000	per cent	RMB'000	per cent	RMB'000	per cent
Financial and advisory segment						
Financial services (interest income) . . .	16,137,698	63.2	15,841,562	58.8	16,521,643	56.6
Advisory services (fee income)	4,889,048	19.1	4,573,954	17.0	3,836,492	13.2
Industrial operation segment						
Industrial operation	4,515,625	17.7	6,521,280	24.2	8,811,129	30.2
Total	25,542,371	100.0	26,936,796	100.0	29,169,264	100.0

Financial and Advisory Segment

Financial Leasing and Factoring

Financial leasing is the principal business activity of the Group. It primarily provides two types of equipment-based leasing services: (i) direct financial leasing and (ii) sale-leaseback. The Group's leasing operations cover primarily its nine focused industries, namely the healthcare, culture & tourism, engineering construction, machinery, chemical & medicine, electronic information, livelihood & consumption, transportation & logistics and urban public utility industries.

As at 31 December 2020, approximately 42 of the Group's lease contracts signed in 2020 were priced at a floating interest rate, which floats at a pre-set margin above a base interest rate, thereby allowing it to transfer the impact of interest rate fluctuations to its customers to a significant extent. The base interest rate references the PBOC benchmark interest rates, and the pre-set margin is a commercial term in the lease contract which the Group negotiates on a case-by-case basis with the individual customer based on its industry. Based on this floating mechanism, the interest rates it charges its customers for most of its lease contracts are re-adjusted periodically at every payment date, if necessary. The majority of all of the Group's lease contracts have quarterly payment dates, with a portion having monthly payment dates; the interest rates it charges to leasing customers can be adjusted at each subsequent quarter or month should the PBOC benchmark interest rates fluctuate. For these reasons, the interest rates that are charged on the Group's lease contracts vary depending on its commercial arrangements with the individual customers based on the relevant industry, and it does not set a defined range for interest rates charged to its leasing customers.

There are no regulatory restrictions relating to the maximum or minimum interest rates charged by the Group to its customers of lease contracts under the relevant PRC laws and regulations. The Group understands that its practice of adjusting the interest rates which it charges to customers, with reference to the PBOC benchmark interest rates, fully complied with the relevant PRC laws and regulations as at 31 December 2020. The revenue generated from the Group's financial business (before business taxes and surcharges) amounted to RMB16,137.7 million, RMB15,841.6 million and RMB16,521.6 million for the years ended 31 December 2018, 2019 and 2020, respectively, representing approximately 63.2 per cent., 58.8 per cent., and 56.6 per cent. of the Group's total revenue, respectively.

The SAOT promulgated the *Notice of the State Administration of Taxation on Levying Turnover Tax on Financial Leasing Business* (國家稅務總局關於融資租賃業務徵收流轉稅問題的通知) on 7 July 2000. According to this notice, the financial leasing business conducted by entities approved by the PBOC shall be levied business tax according to the *Provisional 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), which was abolished on 19 November 2017, and no

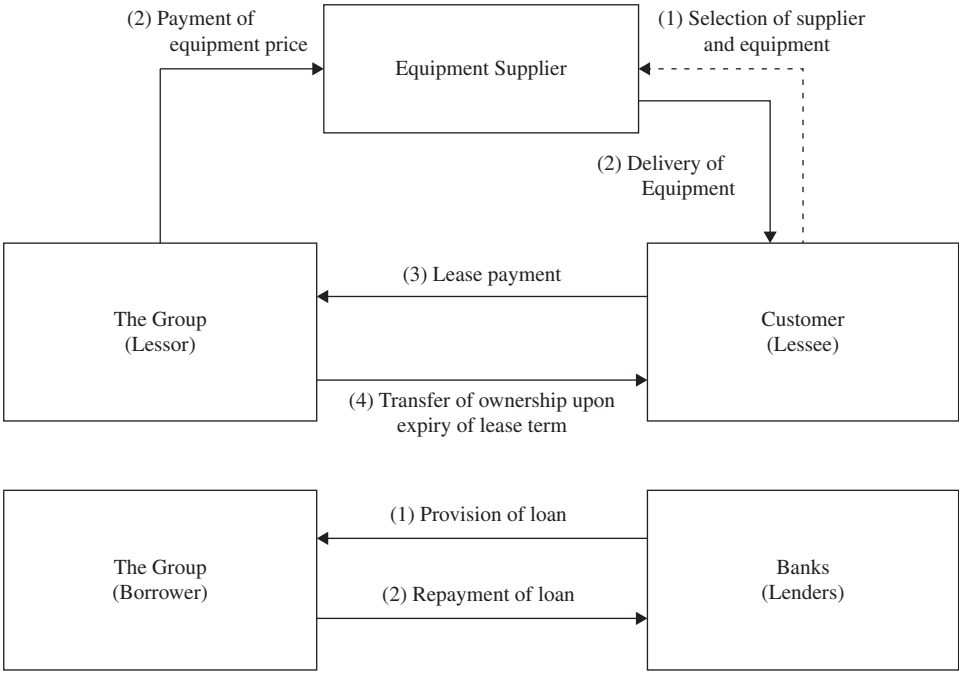
value-added tax (“VAT”) shall be levied, whether or not the ownership of the leased goods has been transferred to the lessee. For the same business conducted by other entities, VAT, rather than business tax, shall be levied if the ownership of the leased goods has been transferred to the lessee, while business tax rather than VAT shall be levied if the ownership of the leased goods has not been transferred to the lessee. The SAOT promulgated the *Supplemental Notice of the State Administration of Taxation on Levying Turnover Tax on Financial Leasing Business* (國家稅務總局關於融資租賃業務徵收流轉稅問題的補充通知) on 15 November 2000, which stipulates that the *Notice of the State Administration of Taxation on Levying Turnover Tax on Financial Leasing Business* shall be applicable to the financial leasing business conducted by foreign-invested enterprises and foreign enterprises approved by Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部, the predecessor of MOFCOM).

On 16 November 2011, the Ministry of Finance and the SAOT promulgated the *Notice of the Ministry of Finance and the State Administration of Taxation on Carrying out the Pilot Practice of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries in Shanghai* (財政部國家稅務總局關於在上海市開展交通運輸業和部份現代服務業營業稅改徵增值稅試點的通知), which became effective on 1 January 2012 and was discontinued on 1 August 2013. According to this notice, Shanghai is the pilot city approved by the State Council for levying VAT in lieu of business tax on the transportation industry and some modern service industries. This notice stipulates that all entities and individuals providing services in the transportation industry and some modern service industries (including tangible movables leasing) (hereinafter referred to as “**taxable services**”) within the territory of the PRC are VAT taxpayers and shall pay VAT and shall no longer pay the business tax, and the tax rate shall be 17 per cent. for the tangible movables leasing service. This notice indicates that for financial leasing services of tangible movables provided by general taxpayers among the pilot taxpayers who engage in financial leasing business upon approval by the PBOC, CBIRC and the MOFCOM, the policy on VAT refund upon collection shall be applicable to the part in excess of 3 per cent. of their actual burden of VAT. On 24 May 2013, the Ministry of Finance and the SAOT promulgated the *Notice of the Ministry of Finance and the State Administration of Taxation on Carrying out the Pilot Practice of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries Nationwide* (財政部國家稅務總局關於在全國開展交通運輸業和部分現代服務業營業稅改徵增值稅試點稅收政策的通 知), which became effective on 1 August 2013 and was discontinued on 1 January 2014. This notice expands the pilot practice of levying value-added tax in lieu of business tax on the transportation industry and some modern service industries from the pilot provinces and cities to a nationwide scope and adopts substantially the same policies as those adopted in the *Notice of the Ministry of Finance and the State Administration of Taxation on Carrying out the Pilot Practice of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries in Shanghai* (財政部國家稅務總局關於在上海市開展交通運輸業和部分現代服務業營業稅改徵增值稅試點的通知). The *Notice of the Ministry of Finance and the State Administration of Taxation on Including Railway Transport and Postal Services under the Pilot Program of Replacing Business Tax with Value-Added Tax* (財政部、國家稅務總局關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知 (including its attachments)), which became effective on 1 January 2014 and was discontinued on 1 May 2016, stipulates that the policy that VAT refund upon collection shall be applicable to the portion in excess of 3 per cent. of the actual burden of VAT for taxpayers who provide financial leasing services of tangible movables until 31 December 2015. On 23 March 2016, the Ministry of Finance and the SAOT promulgated the *Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax* (財政部國家稅務總局關於全面推開營業稅改徵增值稅試點的通知), which became effective on 1 May 2016 and further amended on 11 July 2017 and 1 April 2019. This notice stipulates that for financial leasing services of tangible movables provided by general taxpayers among the pilot taxpayers who engage in financial leasing business upon approval by the PBOC, CBIRC and the MOFCOM, the policy on VAT refund upon collection shall be applicable to the part in excess of 3 per cent. of their actual burden of VAT. As a financial leasing company engaging in tangible movables, Far Eastern shall be governed by these notices.

(A) Direct Financial Leasing

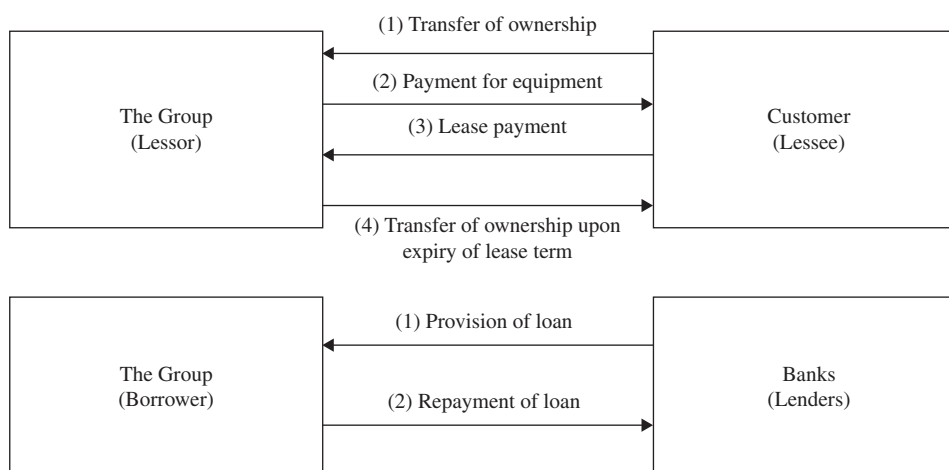
A direct financial lease is typically for one specific user, with financial terms designed to recoup most, if not all, of the initial cost of the asset being leased during the initial contractual lease term. Around 33 per cent. of all of the lease contracts of the Group have quarterly payment dates, while the remaining have monthly payment dates. A typical direct financial lease cannot be terminated without the Group’s consent during its term and typically ranges from three to five years. Upon expiry of the lease term, the Group usually provides the lessee with an option to purchase the asset underlying the lease at a nominal value so as to incentivise the lessee to purchase such asset.

A typical direct financial leasing transaction usually involves three parties, namely the lessor, the lessee and the equipment supplier. The relationships among the three parties are illustrated in the following diagram. The Group funds its financial leasing transactions as a whole primarily through bank loans.



(B) Sale-leaseback

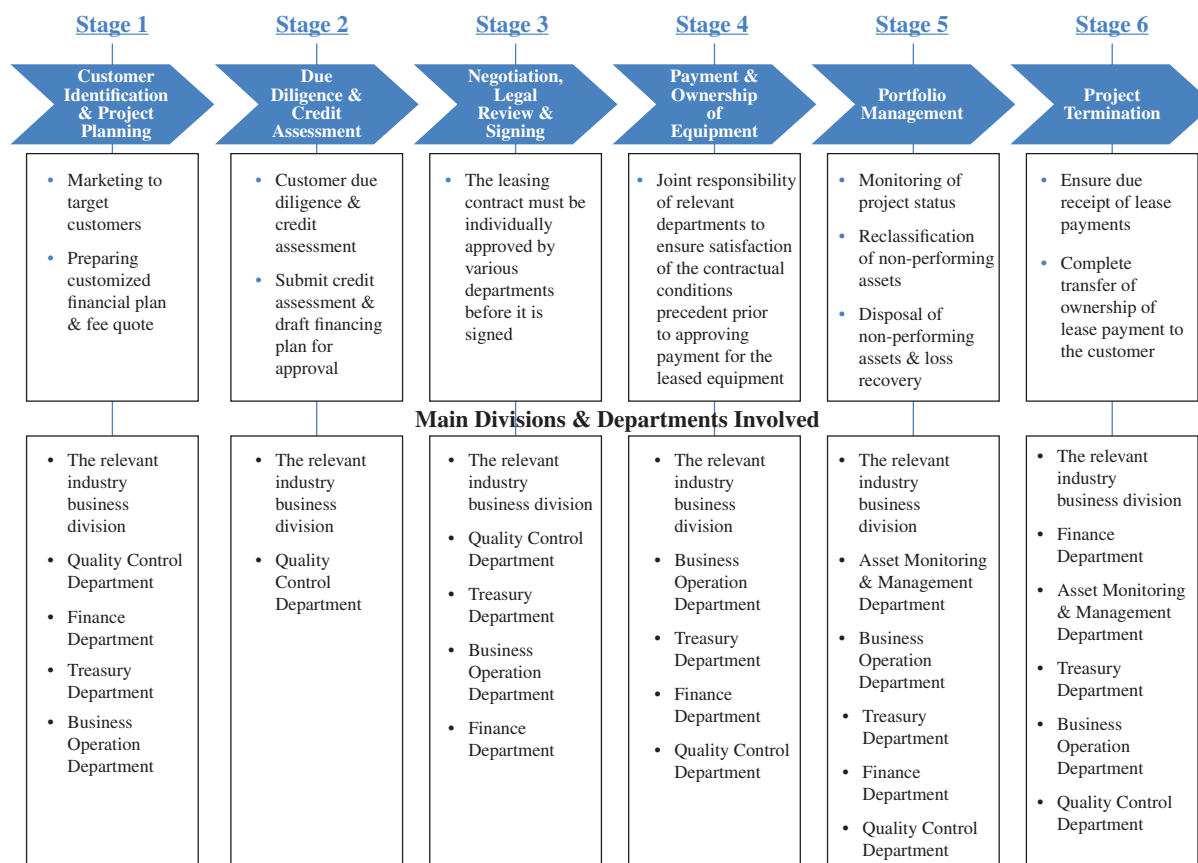
Sale-leaseback is a form of financial leasing where the lessor purchases the asset from the lessee who originally owned such asset but subsequently sells it to the lessor to satisfy its financing needs. The lessee then leases the asset back from the lessor for a relatively long term, such that the lessee can continue to use the asset as a lessee (and not as an owner). The majority of the Group’s lease contracts have quarterly payment dates, while a portion have monthly payment dates. A typical sale-leaseback contract cannot be terminated without the Group’s consent during its term, and typically ranges from three to five years. Upon expiry of the lease term, the Group usually provides the lessee with an option to purchase the asset underlying the lease at a nominal value so as to incentivise the lessee to purchase such asset.



Financial Leasing Operational Workflow

The Group has designed a systematic operational workflow from Stage 1 to Stage 6, which applies to financial leasing projects in each of its target industries. Under this workflow, various risk control measures and procedures are consistently applied to every lease project, which involves the active participation of different departments in the Group. The chart below sets out the workflow process of the Group’s leasing business operations:

Financial Leasing Operational Workflow



Stage 1: Customer Identification and Project Planning

The Group commences a leasing project in Stage 1, during which target customers are carefully identified, appropriate projects are selected and tailored financing plans and price quotes are duly prepared. Each project is initiated by the relevant industry business division and reviewed and assisted by other relevant departments, such as the Finance Department, Business Operation Center and Treasury Department.

Stage 2: Customer Due Diligence and Credit Assessment

Once the customer identification and project planning process under Stage 1 has been completed, Stage 2 procedures are entered into where more detailed research into the background and creditworthiness of the customer is conducted. This stage is mainly driven by the relevant industry business division, which is in charge of preparing customer due diligence and credit assessment reports and the finalised financing plan to be approved by the Business Operation Center. Depending on the customer's creditworthiness, the Group will determine down payment amounts, risk mitigation measures and other key terms in Stage 2.

Stage 3: Negotiation, Legal Review and Signing

Upon obtaining approval from the Business Operation Center, the relevant industry business division takes the lead in participating in contract negotiations and reviewing legal documents (with the support of the Legal Centre of the Business Operation Center). The leasing contract must be individually approved by various departments before it is signed. The Finance Department also assists at Stage 3.

Stage 4: Payment and Ownership of Equipment

After the leasing contract is signed, the Business Operation Center, Treasury Department and Finance Department are jointly responsible for ensuring the satisfaction of the contractual conditions precedent prior to approving payment for the leased equipment, while the Business Operation Center is also in charge of monitoring logistics, insurance coverage, delivery of goods, equipment installation and inspection procedures during Stage 4. The relevant industry business division continues to assist at Stage 4.

Stage 5: Asset monitoring and management

The Group's Asset Monitoring and Management Department and the relevant industry business division is principally responsible for asset monitoring and management through timely collection of lease payments, monitoring of project status and preparation of regular project reports. When there are "negative signals" (such as missed lease payments which may lead to potential lease defaults), certain risk control procedures will be initiated to claim outstanding lease receivables in order to mitigate potential losses. The Asset Monitoring and Management Department will review the classification of non-performing assets and closely monitor the loss recovery procedures (including restructuring of lease receivables repayment terms or the repossession and subsequent disposal of the assets underlying the lease). The restructuring of repayment terms primarily comprises acceleration of lease receivables payments and the extension of the repayment term depending on the circumstances for each case. Under its financial leasing contracts, the Group is usually entitled to several remedies including, among other things, acceleration of lease receivables repayment when there is a default of the customer. It may decide whether to exercise this remedy by primarily considering: (i) the credit record of the customer; (ii) its relationship with the customer; (iii) the current status and the prospects of the customer's financial condition; and (iv) the difficulty of repossessing the assets underlying its leases and realising their value. Before the Group decides whether to grant a customer extension of a repayment term, it conducts stringent due diligence and determines whether an extension of the repayment term is the optimal option for mitigating risks according to the customer's credit record and financial condition. The term to be extended does not exceed half of the initial lease term and the total lease term after extension does not exceed five years. The Group usually does not extend the repayment term as this may increase its risk exposure. The Group's Treasury Department and Finance Department also actively assist in controlling the risk of overdue lease receivables and repayment difficulties. The Business Operation Center also helps manage the portfolio at this stage.

Stage 6: Project Termination

The lease project is terminated upon full performance of the leasing contract. During the termination procedure, the Finance Department is responsible for ensuring due receipt of lease payments and the timely despatch of lease receipts, while the Asset Monitoring and Management Department is in charge of completing the transfer of ownership of lease equipment to the Group's customer. The relevant industry business division, Treasury Department, Business Operation Department and Quality Control Department cooperate closely with the Finance Department and Asset Monitoring and Management Department for project termination.

In June 2012, Far Eastern obtained approval from MOFCOM to expand its scope of business to include commercial factoring.

Advisory Services

The Group's business is operated with an industry focus approach and its respective business departments are staffed with professional personnel who are organised around and focused on nine key target industries. The opportunity to provide financial leasing services to its prospective customers has enabled the Group to better understand their needs and the various types of customised value-added services that they may require. Accordingly, the Group also provides advisory services in addition to financial leasing in line with its strategy to provide its customers with an integrated range of services. The provision of advisory services is optional to the Group's leasing customers, who are free to decide whether or not to enter into an advisory contract with the Group. As at 31 December 2020, approximately 82 per cent. of the customers of the Group newly signed this year used both financial leasing services and the advisory services provided by the Group.

The Group believes that its business model allows it to generate fee income that is complementary to the financial leasing services provided to its financial leasing customers. The advisory services are normally provided in conjunction with the provision of its financial leasing services to the same customer. However, the level of advisory services required by such customers differs in accordance with their specific needs and sophistication, and hence the service component varies significantly from customer to customer and has to be specifically agreed with each customer. As such, the fees for the advisory service component are distinct from the financial leasing arrangements and are clearly set out in the advisory contracts with its customers which are separate from the financial leasing agreements.

Based on the specific needs and requirements of the Group's existing and prospective financial leasing customers from different industries, the Group has focused on the development of various value-added businesses such as its advisory services to better serve those customers. The Group constantly and closely interacts with its advisory customers to determine the service content and scope in order to provide optimal solutions in relation to financing options, cash management and operation of the leased assets appropriate for their businesses, which the Group believes are unique from its peers and competitors. The Group's comprehensive industry expertise accumulated through its provision of financial leasing services, advanced financial analysis and risk management capabilities, and its deep understanding of customers' specific needs, have enabled the Group to provide its customers with professional and customised advisory services, which has led to a significant contribution to the Group's revenue. For example, in the packaging industry, the Group assists customers in analysing competitive products by leveraging the market information that it has accumulated from its financial leasing business and formulating marketing plans accordingly. The Group provides advice as to how to manage inventory and optimise manufacturing processes. The Group also provides training to customers on how to manage their inventory stock, how to establish an operating centre for product material and how to utilise excess capacity. These advisory services primarily include the selection of equipment suppliers, advice in respect of various forms of financing, assisting customers with cash flow management and analysis, and the provision of financing solutions typical to the respective target industries. The fees that the Group charges for the provision of advisory services vary according to the actual services provided to individual customers in the respective target industries and are agreed with each customer on a case-by-case basis. The Group's fees are determined primarily based on: (i) the nature and estimated term of services; (ii) the importance of the advisory services to the customers; (iii) the Group's relationship with the customers; and (iv) the importance of the customers to the Group's overall business. Therefore, the Group does not have a fixed-fee rate for charging its customers in relation to the advisory services.

Revenue generated from the Group's advisory services (before business taxes and surcharges) amounted to RMB4,889.0 million, RMB4,574.0 million and RMB3,836.5 million for the years ended 31 December 2018, 2019 and 2020, respectively, representing approximately 19.1 per cent., and 17.0 per cent. and 13.2 per cent. of its total revenue (before business taxes and surcharges), respectively.

Industrial Operation Segment

Along with the provision of leasing services to its customers, the Group has explored and identified business opportunities in other business segments in accordance with its customers' specific needs, such as trading and brokerage services, financial services, industrial investment and operation services, hospital operations, education institution operation, operational leasing, management consulting and construction services in multiple fields including healthcare, engineering construction, machinery, livelihood & consumption, transportation & logistics and urban public utility.

In terms of revenue, hospital operation and operating lease are the two most significant business segments of the Group's industrial operation segment. As at 31 December 2020, the number of hospitals controlled by the Group was 29, while the number of beds available amounted to more than 12,000. For the years ended 31 December 2018, 2019 and 2020 the Group's revenue (before taxes and surcharges) from hospital operation was RMB2,194.5 million, RMB2,912.5 million and RMB3,447.0 million, respectively, representing 48.6 per cent., 44.7 per cent., and 39.1 per cent. of the Group's total revenue from the industrial operation segment, respectively.

By 2018, the Group's equipment operation business development had established a relatively optimised complete preliminary marketing system and the assets scale has joined the front ranks in sub-markets such as engineering equipment and scaffolds. For the years ended 31 December 2019 and 2020, the Group's revenue (before taxes and surcharges) from equipment operation was RMB2,622.4 million, and RMB3,663.6 million, respectively, representing 40.2 per cent., and 41.6 per cent. of the Group's total revenue from the industrial operation segment, respectively.

The Group believes that the provision of value-added services, in addition to its leasing business, will help enhance its competitive strength and customer loyalty, and diversify its operational risk. By matching up the organisational operation of financial resources with the discovery and cultivation of industrial resources, the Group creates an operational advantage with the characteristics of joint development finance and industry. The Group established Shanghai Donghong in 2006, through which it conducts its trading business. The Group engages in import and export trade and domestic trade of medical equipment and spare parts, paper, ink, cardboard and paper goods primarily within the healthcare and packaging industries, as well as trade agency services primarily within the machinery industry. The Group is able to leverage its established customer relationships and business contacts within target industries so as to procure collective sales and purchases of equipment, thereby achieving economies of scale and lowering transaction costs and expenses.

The Group also provides ship brokerage services in the form of broker sales and purchases of new and used vessels within the transportation industry. It acts as broker and liaises with vendors and purchasers within the transportation industry to match purchase orders and sales information. The Group usually charges approximately 1 per cent. of the transaction consideration as brokerage fee for the provision of its brokerage services. The target customers for its ship brokerage business are primarily small-to-medium sized enterprises seeking to acquire ships, and the large-scale ship manufacturers which are seeking to sell their ships to suitable purchasers.

The Group does not undertake material inventory risks in its industrial and operation segment. Its inventory stock within the trading business is derived primarily from the procurement of products required by its customers, such as the supply of paper products to printing companies. In respect of its ship brokerage business, the Group acts as an intermediary for the sale and purchase of vessels for a brokerage fee and does not undertake any inventory risks as its brokerage contracts do not require it to hold vessels as part of its inventory.

Revenue generated from the Group's industrial and operation segment (before business taxes and surcharges) amounted to RMB4,515.6 million, RMB6,521.3 million and RMB8,811.1 million, for the years ended 31 December 2018, 2019 and 2020, respectively, representing approximately 17.7 per cent., 24.2 per cent. and 30.2 per cent. of its total revenue (before business taxes and surcharges), respectively.

The Group's Target Industries

Prior to 2018, the Group had operated its business in nine focused industries which it believed to have sustainable growth potential, including healthcare, education, infrastructure construction, industry and machinery, packaging, transportation, electronic information, urban public utility and comprehensive development industries. The Group has accumulated years of industry expertise and has expanded its customer base in each of its target industries by organising and operating its financial leasing services, sales and marketing, and risk management systems through an industry-focused approach. In 2018, the Group adjusted its industry focus to include seven major industries, namely healthcare, education, infrastructure, construction, industry and machinery, livelihood & consumption and transportation & logistics and urban public utility.

In 2019, the Group reconfigured its industrial layout and the current business is mainly concentrated in following nine major industries: healthcare, culture & tourism, engineering construction, machinery, chemical & medicine, electronic information, livelihood & consumption, transportation & logistics and urban public utility. Through active adjustment, the Group has created a more industry-focused operational structure, and strengthened its risk identification capability.

The Group's industry selection process consists of six steps which take approximately one and a half years to two years: (i) firstly the Group conducts a search in the new industry assessing the feasibility of that new industry based on the Group's domestic and overseas industry experience; (ii) the Group then takes a preliminary industry test with a controlled volume; (iii) at the initial evaluation stage, the Group develops comprehensive business plans considering entry feasibility, growth potential, market capacity, capital needs, equipment, staff and other resources required for entry into such new industry; (iv) if the initial evaluation results of the new industry is positive, the Group tests the market extensively through conducting more comprehensive evaluations; (v) after the extensive market test, the Group finalises business plans and evaluation processes for the new industry; and (vi) the Group formally enters into the new target industry and scales up its operations in that industry appropriately.

Since the beginning of 2020, the sudden outbreak of the COVID-19 pandemic severely disrupted the normal order of production and life, leading to a period of economic shutdown with an effect exceeding all expectations in terms of both scope and degree. The COVID-19 outbreak poses potential risks to the Group's business operation and financial condition. The World Health Organisation has declared the COVID-19 outbreak a pandemic in March 2020. Under this backdrop, on the premise of ensuring the prevention and control of the pandemic, the Group committed to a phased resumption of work and production as early as possible in order to minimise losses. In addition, the Group continued to adhere to the development strategy of "finance + industry" and pushed forward measures for lean operation and management, as a response to the complex and ever-changing macro situation and the severe challenges.

For the various industry sectors the Group operates in, despite the supply chain disruption and short-term business suspension caused by measures such as regional isolation and travel restrictions, rapid growth was achieved in the areas relating to anti-epidemic materials, infrastructure, domestic substitutes and online consumption, driven by the demands in epidemic control, stable growth and industrial transformation and upgrading. The exports of anti-epidemic materials, such as face masks, protective suits and medical supplies, mitigated the influence from decrease in external demands. Special purposes machines, steel and construction industries benefitted from the successive commencement of major projects. The domestic substitution process in the electronics industry accelerated, and new infrastructure fields, such as 5G, created new momentum for economic development. In addition, the spread of the COVID-19 promoted changes in consumption habits, which led to growth in delivery logistics field to a certain extent. Demands for daily chemical products were steadily climbing with growing awareness of personal health. Meanwhile, automobile production and sales, affected by the global supply chain to a greater extent, continued to recover, domestic tourism was in a slow rebooting process, and the diagnosis and treatment procedure of medical institutions has gradually returned to normal.

The Group's Business in the Healthcare Industry

The healthcare industry was the first target industry which the Group entered into in 2001, and it remains the Group's largest target industry among the nine target industries in which it is currently primarily involved. As one of the first comprehensive finance industry service providers in China focusing on healthcare, the Group is committed to providing comprehensive financial solutions to its healthcare customers, namely public and private hospitals throughout China, comprising financial leasing, advisory and trading services.

The Group adhered to the medical philosophy of "providing inclusive, quality and warm medical services", focuses on areas with insufficient medical resources and is committed to providing comprehensive financial solutions to its healthcare customers, namely public and private hospitals throughout China, comprising financial leasing, advisory and trading services. Since 2014, the Group has continued to expand its healthcare industry network by continually investing in hospitals and other medical institutions:

- From the two hospitals it initially invested in 2014 to having gained control in 29 hospitals with over 12,000 available beds as at 31 December 2020.
- According to the operation needs of various hospitals, the actual number of beds available as at 31 December 2020 was about 10,000.
- Hospitals included in the scope of consolidation upon the new delivery in 2020 include Pizhou Dongda Hospital. Meanwhile, taking into account the impact of external environment and actual operation conditions, the Group proactively transferred, disposed of and closed approximately 31 hospitals that the Group invested in, were under preparation for construction or to be delivered or in the early stage of operation.
- During the COVID-19 pandemic, the Group actively responded to the government's call and fulfilled its social mission of providing medical service and deployed a total of more than 30 medical personnel from its five hospitals to aid the epidemic area in Hubei, providing an effective supplement to the public healthcare system with strong professional capacity and accumulated rich experience.
- The hospitals form part of the Group's national hospitals operation network, covering East China, South China, North China, Southwest China and Northeast China. Through the vertical and horizontal linkage, the Group intends to explore the operating pattern of the administration offices, improve the operational efficiency of the subject units, and constantly improve the content of the business to establish a hospital group under the operation of "One system, One network, One hospital".

The Group's hospital has reached the area with the weakest resource with a broad and accessible service network, enabling more people to enjoy quality, warm and affordable medical services in their neighbourhood.

The Group was one of the leading market players in the year of 2020 in the for-profit healthcare industry based on market information and has developed strong industry expertise in the healthcare industry. The Group is able to customise its services and enhance its sales and marketing capabilities primarily through the following:

- establishing a dedicated sales team comprising former healthcare industry professionals which have been honed within the context of the healthcare industry;
- establishing its business network which is in close proximity to its customers' operations throughout China;
- maintaining of close and regular contact with its customers by organising industry exhibitions and forums, and participating in industry specific associations to gain market information on the latest market trends within the healthcare industry;
- leveraging its established relationships with sales agents of healthcare equipment in order to source suitable healthcare equipment to better serve its customers and enhance its competitiveness; and
- forming its operating pattern integrated by finance, hospital, management and engineering through continuously improving its professionalism in those aspects.

For its healthcare equipment financial leasing customers, the Group provides both direct financial leasing and sale-leaseback services. Direct financial leasing is adopted mainly to finance the purchase of new healthcare equipment. Sale-leasebacks are more frequently adopted by the Group's healthcare customers to satisfy their financing needs for the construction of basic hospital facilities. The leased equipment consists of a wide variety of healthcare equipment, such as tomography, magnetic resonance imaging, ultrasound imaging, life support machines and operating room disinfectant systems. Major and targeted customers of the Group in healthcare industry are mainly in industries including hospital, equipment agents and medical institutions.

According to the Regulations on Supervision and Control of Medical Equipment (醫療器械監督管理條例) (“**Regulations on Medical Equipment**”) promulgated by the State Council and amended on 7 March 2014, 4 May 2017 and 9 February 2021 (which will become effective on 1 June 2021), and the Measures on the Supervision and Administration of the Business Operations of Medical Devices (醫療器械經營監督管理辦法) promulgated by the State Food and Drug Administration (“**SFDA**”) (國家食品藥品監督管理總局, which had been integrated into the SAMR in 2018 and no longer existed) on 30 July 2014 and amended on 17 November 2017, no approval or filing is required for establishment of a business operation in category one medical device; establishment of a business operation in category two medical device, except for the ones of which safety and effectiveness are not affected by the process of circulation, shall be filed for record with the drug regulatory bureaus in charge at the municipal level; and establishment of a business operation in category three medical device shall be registered for review and approval with the drug regulatory bureaus in charge at the municipal level. SFDA promulgated the Official Replies to Relevant Issues about Medical Equipment Leasing (關於租賃醫療器械有關問題的批覆) and Comments in Response to Some Regulatory Issues about Medical Equipment Financial Leasing (關於融資租賃醫療器械監管問題的答覆意見) on 15 April 2004 and 1 June 2005, respectively. On 22 May 2018, the National Health Commission and the National Medical Products Administration (國家藥品監督管理局) promulgated the Measures on Administration of the Configuration and Use of Large Medical Equipment (For Trial Implementation) (大型醫用設備配置與使用管理辦法(試行)), which implemented hierarchical and classified planning and licence management for large medical equipment according to the catalogue approved by the State Council. Accordingly, medical equipment financial leasing conducted by financial leasing companies shall be categorised as business dealings in medical equipment and a licence for business dealings in medical equipment shall be obtained in accordance with the Regulations on Medical Equipment. Far Eastern, Shanghai Donghong and Shanghai Domin have all been issued with licences for business dealings in certain categories of medical equipment.

Along with its in-depth understanding of the healthcare industry and continuing penetration into the healthcare market during its operating history, the Group has extended its services to include diversified, value-added services, such as advisory and trading services. In addition to a trading services business, the Group also provides various advisory services which include:

- industry analysis, including analysis of policies and development strategies in healthcare industries by cooperating with universities and research institutions;
- equipment operation analysis, including advisory services in relation to selection, instalment and operation of equipment;
- management consulting, including providing customers with research reports, management training and business development strategies based on the competition in the local market;
- financial consulting services, including providing management staff of healthcare institutions with financial management plans and training, plus innovative financing plans, optimal finance planning analysis, cost cutting and applying for governmental subsidies for fixed-asset investment;
- internal management optimisation, including proposals for business and management process optimisation; and
- fixed-asset investment analysis, including comprehensive fixed-asset investment strategies, feasibility studies of investment plans, information regarding market prices, management of investment projects and providing financing support for the investment.

The Group also intends to develop its engineering services capability in connection with the engineering, construction and management of healthcare infrastructure facilities in the future so as to enhance and further develop its vertical integration within the healthcare leasing industry.

The Group's Business in the Culture & Tourism Industry

The Group's business in the culture & tourism industry includes the education business. As one of the first comprehensive financial service organisations engaged in fields of education, science and technology, culture & tourism and sports in China, the Group has long been providing solutions in terms of investment and financing and consulting for multiple education, science, culture & tourism and sports organisations in China. Under the strategy of "finance + industry" of the Guarantor, the Group has actively developed the K12 educational field covering kindergartens and compound schools, as well as developing culture & tourism and sport industry operation businesses.

The Group commenced its operations in the educational equipment financial leasing business in 2002. It provides financial leasing services and advisory services for diverse types of educational institutions within China, such as colleges, universities, high schools and professional educational institutions. The Group believes that it commands the dominant market share within China's universities and colleges, and has achieved strong-growth momentum over recent years. There has been significant breakthrough in the education industry business segment of the Group, with profound strategic implications for further improvement of the Group's operating capability in this business segment:

- In 2015, the Group completed the acquisition of a Confucius International School and three Montessori International Kindergartens.
- In 2016, the Group entered into agreements in respect of 12 new quality kindergarten sites in Shanghai, Hangzhou, Xiamen, Wuhan and Chongqing.
- In 2017, the Group entered into agreements in respect of three new quality kindergarten sites, one new school site and opened three kindergartens.
- In 2018, the Group entered into agreements in respect of three kindergarten sites; there are also six newly opened kindergartens and one school site in Shanghai and Qingdao. As at the end of 2018, the Group operated 13 quality kindergartens and three schools with nearly 1,800 students, representing an increase of approximately 65.1 per cent. as compared to the previous year, with one kindergarten pending for acquisition.
- In 2019, there were two newly opened kindergartens, together with three schools and 13 kindergartens that had been operating in previous years.
- As at 31 December 2020, the Group had 11 kindergartens and four schools, and steadily promoted the layout of high-end K12 education at home and abroad. By adhering to the principle of "people orientation, fusion of Chinese and western education and training elites", the Group continued to deepen and improve the level of teachers, curriculum system, campus facilities and operation flow management of kindergartens and schools within the Group, so as to cultivate outstanding students with social contribution, scientific innovation and international competitiveness.

Educational institutions are geographically dispersed across China. In order to identify and reach its potential customers in the education industry, the Group has established a strong sales and marketing team which is effective in promoting its products and services to educational institutions through various sales and marketing activities and the establishment of education professional alliances and forums to further penetrate the education market and further deepen the Group's industry expertise and customer relationships.

The leased educational equipment mainly comprises information technology equipment, laboratory equipment and practical training equipment. Based on its deep understanding of the specific needs of educational institutions and its close relationship with customers, the Group has extended its services to include value-added services such as: (i) financial advisory services, including working capital and cash flow management consulting based on an analysis of a customer's financial statements and operational status as well as financing policy training for education institutions; and (ii) management consulting services which include national policy analysis and consulting on the structure of an internal financial system.

As customers of the Group in the education industry are generally high-quality customers with stable cash flow, they represent high-asset quality and are able to make timely and regular lease payments. Their payments schedules are also customised to appropriately match their fund allocation capabilities. The Group maintains a low-risk profile within the education industry. Major customers of the Group's education industry mainly come from industries including colleges, high schools, universities, vocational education institutions, cultural venues and sports and recreation.

The customers of the Group in the tourism industry are mainly high-level domestic customers, such as tourism investment groups established by provincial and municipal governments, and these groups generally operate physical facilities, such as natural scenic spots, cultural scenic spots, and high-end hotels, generating a strong driving force for social-economic development for the local communities. The Group benefits from its large-scale asset investment, stable cash flow, and strong financing and repayment ability.

The Group's Business in the Engineering Construction Industry

The Group entered the engineering construction industry in 2004 primarily to provide infrastructure construction equipment financial leasing services to mid-to-high-end construction companies within China. In light of China's rapidly developing urbanisation and increasing demand for the construction of basic infrastructure, the Group extended its services to three major sectors of the construction industry, namely construction, construction materials, electric power production and supply. The Group systematically promoted its operating leasing business for the infrastructure construction and has become a leading industrial enterprise in the market segments of road equipment, industrial equipment and mould bases. In 2015, the Group continued to promote comprehensive services such as operation of machinery and scaffolding equipment and effective linkage with the financial business in an orderly manner to lay out a framework of an industry service corporation, and the network of the Group's operation services has gradually spread nation-wide and created relevant advantages in related sub-markets. In 2016, in order to adapt to the market environment, the Group made strategic moves to reduce the allocation of resources to certain sluggish industries, which led to a lower growth rate for its engineering construction business sector. Since 2017, the Group continued to explore integrated operation services, such as equipment operation, engineering services and Public-Private-Partnership (PPP), in order to improve the service system for the Group's investments, financing, construction and operations.

The Group established Horizon Construction Development, a comprehensive equipment service provider in the construction sector in China, which is mainly engaged in the lease of equipment and engineering construction in the fields of industrial equipment, turnover materials, pavement equipment and electric power equipment. Horizon Construction Development relies on its nationwide operating network, compound operation capabilities, full range of equipment and expertise in equipment operation to provide a one-stop service to customers. It has served 20,000 customers and participated in projects such as construction of the Terminals at Beijing Daxing Airport, construction and installation of Shanghai National Convention and Exhibition Centre, decoration of the Bird's Nest in Beijing, construction of Shenyang Metro and construction of Hangzhou East Railway Station. As at 31 December 2020, Horizon Construction Development owned more than 55,000 pieces of equipment and over 1,300,000 tons of materials, ranking first in China in terms of the total original value. Specifically, its industrial equipment consists of scissor-type and boom-type aerial work platforms, which are used in construction, installation and subsequent maintenance of industrial buildings, urban public facilities, commercial sites, petrochemical and metallurgical structures, with a stock of more than 50,000 pieces. The new materials consist of temporary steel structures for construction purpose such as socket type scaffolding, steel support, Larsen pile and structural steel, which are widely used in facade construction and foundation pit support in subways, overpasses, tunnels, municipal pipelines and ditches, housing construction, water channels, ports, factory buildings, high-speed rail and other construction fields. The pavement equipment consists of paving machines, road rollers and milling machines, which are used in the construction and maintenance of asphalt concrete pavements such as high-grade roads, airport runways, test-drive tracks and municipal roads. The electric power equipment consists of generators and load boxes, which are mainly used in temporary power supply for engineering construction, large-scale exhibitions, advertising campaigns, marine engineering, urban construction, field engineering, and mining. As at 31 December 2020, Horizon Construction Development had more than 207 business outlets in East China, South China, North China, Southwest China and Northeast China, providing high quality and convenient services for its corporate customers. In addition, it offers tailored design and research services for its customers, with many of its independently-developed products holding a leading position in China. As at 31 December 2020, it had obtained 147 authorized patents, 13 invention patents and 31 software copyrights. In 2020, Horizon Construction Development rose to the 39th place in the IRN 100 ranking among the top 100 global leasing companies.

Horizon Construction Development has further explored the overseas market, and operated in six countries and regions in 2019. It has also developed online marketing channels, such as “Far East e Market” and “Horizon Equipment high-altitude vehicles”, thus enhancing the Group’s internal operating efficiency and service of external customers. In 2020, Horizon Construction Development and the hospital group under the Group not only gave play to their own strengths and actively participated in the national front-line epidemic prevention and anti-epidemic efforts, but also continuously unleashed its financial efficiency, contributing critical growth momentum for the Group’s “finance + industry” dual driven and coordinated development.

Capitalising on the rapid growth of the industry and its deep understanding of the sector, the Group has achieved strong growth over recent years. It maintains a competitive sales team with significant industry understanding and finance expertise to provide customised services to its customers in the engineering construction industry.

The Group frequently liaises with industry experts and retains an external expert as its regular adviser. It maintains frequent and close contact with major construction equipment manufacturers and trading companies domestically and overseas in order to gain first-hand information on industry and regulatory trends. Active involvement in industry associations and customer forums are also considered key sales and marketing activities to help the Group strengthen industry penetration and promote its services. Its leased construction equipment is mainly comprised of excavating machines, earthmoving machines, road maintaining machines, pavement equipment, pile machines, concrete machines, drilling machines and hoisting construction equipment.

The Group’s advisory services in the engineering construction industry include: (i) sharing of market information and statistics, and providing customers with regulatory trend analysis and market data based on industry expertise and accumulated market information; and (ii) financial consulting services such as working capital and cash flow management consulting based on analysis of the customers’ financial statements and operational status as well as financial policy. Major customers of the Group’s engineering construction industry mainly come from industries including transportation construction, urban development, industrial construction, construction materials, cultural venues and electricity.

The Group’s Business in the Machinery Industry

The Group formed its machinery business division in 2005. The Group provides industrial machinery equipment financial leasing services for various manufacturing companies in China, primarily focusing on automobile parts producers, with the aim of achieving sustainable growth and technology enhancement in the Chinese manufacturing industry. The Group successfully penetrated into different customer areas and was one of the leading market players in 2018, 2019 and 2020 in the machinery industry, based on market information.

As its financing services are extended to a number of sectors within the machinery industry, such as machine tools, automotive, public transportation, energy and electronic devices, the Group’s sales and marketing strategy focuses on active involvement and liaison with various industry associations, such as automobile industry associations and mechanical bearing industry associations, to collect the latest industry information and, more importantly, machinery purchase and financing demand information to facilitate its marketing efforts. The Group also organises machinery exhibitions regularly and involves its key customers, various manufacturing companies and machinery equipment purchasers to promote its services. Its sales staff make regular visits to a number of key government industrial parks to develop business relationships with various manufacturing companies. As the financial leasing business of the machinery industry involves mostly small-ticket machine tool leasing, and requires industry-specific financing expertise and an extended sales network to reach customers which are spread across China, the Group has established a specialised sales team equipped with the necessary industry expertise and marketing capability to maintain sufficient coverage of a diverse customer base and to provide customised small-ticket financial leasing services for machinery equipment.

The advisory services provided in the machinery industry include (i) market information and statistics exchange and providing customers with regulatory trend analysis and market data based on industry expertise and accumulated market information, and (ii) financial consulting services, such as working capital and cash flow management consulting based on an analysis of the customer's financial statements and operational status as well as financial policy. Major customers of the Group's machinery industry mainly come from industries including automobile parts manufacture, railway transportation equipment manufacture, electrical power equipment manufacture, general equipment and basic parts manufacture and electronics machinery manufacture.

The Group's Business in the Chemical & Medicine Industry

The chemical & medicine business development department was established in October 2019. It offers equipment financial leasing services for various chemical industries in China, primarily focusing on chemical companies and pharmaceutical manufacturing, with the aim of achieving sustainable growth and technology enhancement in China's chemical industry. China has become the world's largest chemical production and trading country and has established a unique whole-industry-chain chemical system. The chemical & medicine business development department mainly focuses on high-value-added sub-sectors in the chemical industry, such as pesticides, dyes, adhesives, coatings, rubber and plastic additives, etc. Factors, such as having a large population base, aging community, and continued growth in per capita disposable income have led to continued increase in demand for medicines. China's pharmaceutical manufacturing industry has maintained rapid growth for ten years, and the production of chemical raw materials accounts for 60 per cent. of the world. The chemical & medicine business development department focuses on supplying chemical raw materials, chemical-pharmaceutical preparations and products for other subdivided medical fields. Major customers of the Group's chemical & medicine industry mainly come from industries including chemical and pharmaceutical manufacturing.

The Group's Business in the Electronic Information Industry

In April 2012, the Group consolidated the electronic information business and incorporated the electronic business in the machinery industry into other industries. The Group commenced its new business in the electronic information industry and established the electronic information segment in December 2012.

The electronic information segment targets the information industry in the PRC and is an integrated financial services institution providing diversified financial solutions to upstream and downstream customers of various industry chains. Demands in electronic information industry have been increasing, with frequent hot topics on 5G base station, wearable devices and other aspects. The electronic information segment is currently involved in fields such as electronic information manufacturing and information technology application. Relying on vast industry experience and resource-coordination skills, and through the dedicated corporation of corporate customers, well-known domestic and overseas manufacturers, agents, associations, government and business partners, the electronic information segment has built up a national customer service network, with Shanghai as its centre.

Through continued in-depth research and pioneering in the electronic information manufacturing and information technology application fields, the electronic information segment is committed to providing the industry chain with quality and professional financial services, operational services and investment services. Major customers of the Group's electronic information industry mainly come from industries including electronics manufacture, 3C (computer, communications and consumer-electronics) and electronic terminals, electrical machinery and applications of information technology.

The Group's Business in the Livelihood & Consumption Industry

This industry segment mainly includes segment sectors of packaging, food, textile and light industry, and commercial and retail industries.

This industry segment is targeted at products reflecting a consumer-oriented focus, and is developing in line with industry trends of the upgrading of consumption and consumer intelligence, which in turn follow the general upward trajectory and changes to general consumers' livelihoods. Complementary concentration on other segment sectors within this industry segment (such as textile and apparel, food and beverage and retail and commerce) allows the Group to provide more comprehensive financial solutions. These include tailored financial leasing solutions, factoring services, providing financial services to small and medium-sized enterprises in the targeted industry sectors and facilitating asset securitisation products and structured financing products and equity pledge financing.

Through continued in-depth research and pioneering in the livelihood & consumption industry application fields, the industry segment is committed to providing the industry chain with quality and professional financial services, operational services and investment services.

The Group's Business in the Transportation & Logistics Industry

The Group began to provide its services within the ship financial leasing industry in 2003. It primarily provides ship leasing services to shipping companies established in China, or ultimately owned by Chinese entities, in the form of direct financial leases, whereby its shipping customers purchase vessels with its financing support. In addition, it also provides ship brokerage services for the selling and purchasing of new and used vessels. In July 2013, the Group renamed its shipping sector as the transportation sector to expand its business to include railway transportation, pipeline transportation and smart logistics industries. In 2016, the growth of demand in the shipping industry remained sluggish, and the problem of over-capacity could not be fundamentally resolved in the short term with the downturn and volatility of the shipping market expected to continue for a certain period. The Group undertook measures such as writing off bad debts and monitoring assets in this business sector. Since 2017, with the gradual recovery of the shipping market, shipping prices also gradually increased, and the imbalance between supply and demand was alleviated. Therefore, in 2018, as the shipping business picked up, the Group restarted its ship financial leasing services.

The Group leverages its industry expertise within the transportation & logistics industry and provides transportation financing services which are specially customised to provide reliable funding support for its transport customers. The Group's specialised sales team is capable of providing comprehensive financing solutions and professional advisory services for its customers, who request essential, industry-specific financing advice at the time they purchase vessels. The Group believes that its provision of an integrated and customised range of financial services to its transport customers has enhanced its customers' trust and reliance on its services and enabled it to establish its market position within the transportation financing market. Its extensive network with ship builders, sellers and purchasers allows it to continue its expansion into ship brokerage service. Major customers of the Group's transportation & logistics industry mainly come from industries including logistics, transportation infrastructure, supply chain management, and smart system and smart transportation.

The Group's operations in the transportation financial leasing market are divided into the U.S. dollar financing business and the CNY financing business. Its U.S. dollar financing services are provided primarily to shipping companies operating on international shipping lines, while its CNY financing services are provided principally to shipping companies operating on domestic shipping lines. The Group also provides various advisory services to its transportation & logistics industry customers, which include: (i) vessel operation advisory services, such as ship selection and purchase timing analysis; (ii) industry competition analysis, based on its cumulative industry expertise and market information; and (iii) financial consulting services, such as working capital and cash flow management consulting based on an analysis of the customer's financial statements and operational status, profit projection and vessel value assessment.

On 28 March 2008, the Ministry of Communications (交通運輸部) issued the *Notice of the General Office of the Ministry of Communications on Improving Administration of Ship Financial Leasing* (交通運輸部辦公廳關於規範國內船舶融資租賃管理的通知) in the PRC (the "**Notice**"), which became effective on the same date and abolished on 10 June 2020. According to the Notice, where a lessor conducts ship financial leasing in China in the form of Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures or wholly foreign-owned enterprises, the foreign shareholding shall not exceed 50 per cent. of the total investment. To comply with the Notice, Far Eastern, a wholly foreign-owned enterprise, has, since March 2008, ceased to provide ship financial leasing services in China. Instead, the Group continues to conduct its ship financial leasing business in China by way of entrusted loans, whereby the Group entrusts local financial institutions qualified for the lending business (such as banks) to lend the Group's money to domestic enterprises to provide financing for their ship construction or purchasing. The constructed or purchased ships will then be mortgaged to the Group as a guarantee for the repayment of the entrusted loans. In addition, the Group also conducts its ship financial leasing business outside China through the offshore subsidiaries wholly owned by FEH Shipping. Therefore, the Group's lease receivables relating to the transportation & logistics industry currently include entrusted loans granted for ship leasing and offshore ship leasing receivables.

The Group understands its provision of entrusted loans within the transportation & logistics industry (after the Notice became effective) does not contravene PRC laws and regulations. In addition, the performance of those ship leasing contracts that the Group was completed before the effective date of the Notice, and the receipt of related interest income after the effective date will not be deemed by the relevant PRC authorities to be a breach of the Notice.

In addition, the Group, as the general partner, established a shipping fund with the total capital of U.S.\$40 million in the Cayman Islands on 18 March 2015, through which the Group explored brand new model for the asset management business to leverage the potential industry risks and enhance the operational capability of the Group over the control of the shipping assets.

The Group's Business in the Urban Public Utility Industry

In March 2015, the Group established the urban public utility business unit. Through this sector, the Group aims to seize the opportunities arising from the development of China's urban public utilities by providing a wide range of financial products and professional consulting services to three main urban public utility industries, namely urban infrastructure construction, urban operation and municipal services.

The business scope of this business sector mainly comprises: (i) financing services, including providing financing for equipment purchase, sale-leaseback of current assets, operating lease, factoring and commercial paper financing; (ii) capital services, including making equity investments as strategic investors, acting as financial adviser in mergers and acquisitions and providing consulting services; and (iii) industrial services, including investing in PPP projects, cooperating with government authorities on industrial investment funds and providing value-added services.

Through its long-term efforts, the Group has established extensive cooperative relations with domestic and overseas renowned manufacturers, agencies, associations, research institutions, government authorities and other business partners, and has built a nationwide service network with a mature business process management system. Major customers of the Group's urban public utility industry mainly come from industries including city transportation, water treatment, energy, waste treatment and gas supply.

Competitive Strengths

The Group believes that it has the following competitive strengths:

The Group has capitalised on China's robust economic growth by strategically focusing on selected industries which have been expanding as China's economy grows.

Over the past three decades, China's economy has grown significantly, in part, largely due to the Chinese government's extensive economic reforms. According to the National Bureau of Statistics of China, the nominal GDP of China grew from RMB21.9 trillion to RMB101.6 trillion between 2006 and 2020.

The Group's target industries have also enjoyed rapid growth along with the Chinese economy and the Chinese financial leasing industry. In particular, the total expenditure or total output value of its target industries has increased over the past three years.

The Group currently operates its business within its redefined nine target industries, a large majority of which have experienced continued growth in recent years.

The Group has developed a distinctive business model providing customised and integrated financial services to target industries by leveraging its established industry expertise and thorough understanding of its customers' specific needs.

The Group's distinctive business model enables it to provide a customised and integrated range of financial services primarily across a portfolio comprising its target industries, so as to support the growth of its customers' businesses along with the growth of the Chinese economy. In addition, the Group is also able to leverage its accumulated industry and management expertise derived from its business model to expand into other target industries in China with promising growth potential. The Group believes that its business model is distinctive for the following reasons:

- it provides an integrated and customised range of financial services;

- it has effective operational and project execution capabilities in step with its business growth;
- it maintains strong asset and customer quality through effective risk management systems; and
- it has industry-specific sales and marketing initiatives.

The Group is a market leader in China's financial leasing industry and has an extensive customer base.

The Group enjoys a leading market share in a majority of its target industries and is one of the top performers among China's financial leasing companies in terms of revenue and net profit. Based on the market information, for the year ended 31 December 2020, the Group has a leading position among the top 10 financial leasing companies in China in terms of net profit and total assets and achieved a leading market share in terms of the aggregate value of new lease contracts in revenue terms in the provision of financial leasing services to public utilities, public hospitals, construction industry and automobile parts manufacturers.

The Group's leading market position in the majority of its target industries is bolstered by a growing customer base with whom it has well established long-term relationships. Its customers primarily comprise of small-to-medium-sized enterprises, large corporations and public institutions within its target industries, each of which has been selected under stringent risk management procedures based on factors such as the stability of their cash flows and/or asset values, industry reputation and track record. As at 31 December 2020, the Group's customer base consisted of over 20,000 customers located in nearly every province of China, and was located primarily within the regions with a fast growing economy, such as the Bohai Rim (comprising Beijing Tianjin, Shandong, Liaoning and Hebei), the Yangtze River Delta (comprising Jiangsu, Zhejiang, Shanghai and Anhui), the Pearl River Delta (comprising Guangdong, Guangxi and Hainan) and central China (comprising Hunan, Hubei, Chongqing, Sichuan and Henan). As testimony to its customers' loyalty and reliance on its services, the Group also has a large number of repeat customers. The Group has further successfully tapped into its financial leasing customer base to provide extended value-added services in addition to providing its integrated financial services to new customers.

The Group has an experienced, stable and cohesive management team and qualified staff with proven track record and a performance-based corporate culture.

The Group's management team has successfully developed its business into a leading financial services company in China. The executive Directors and key senior management have been with the Group since 2002 and have contributed their management expertise and business acumen to lead the Group since the relocation of the Group's operating centre to Shanghai in 2001. Most of the Group's senior management members have an average of around 23 years' experience in China's financial services industry. The Group has a highly capable, committed and motivated management team, whose strong entrepreneurship has led to the successful development of its businesses within its target industries. The Group's management team also shares a vision of loyalty, teamwork, cohesiveness, continuous learning and excellence with its employees. As at 31 December 2020, approximately 39.5 per cent. of the Group's employees have a bachelor's degree and above, and approximately 7.1 per cent. have a master's degree and above. Due to the employees' diversified education background, work experience and internal training, the employees of the Group possess the necessary professional and specialised expertise within the relevant target industry division in which they operate.

The Group is committed to motivating its employees and creating a meritocratic system under which compensation is dependent on the satisfaction of attainable performance targets. It has fostered a distinct culture and core set of values which it seeks to reinforce with its Directors, senior management and employees.

The Group has diversified and sustainable funding sources to support its business growth and has strong capabilities in managing its funding risks.

The Group's business growth and working capital requirements are primarily supported by interest-bearing bank and other borrowings and equity. Since 2002, the Group has developed strong relationships with domestic and foreign financial institutions from which it has obtained loan financing (including syndicated loans). As at 31 December 2020, these financial institutions included, among others, the big six commercial banks in China, national joint stock commercial banks, China Development Bank, The Export Import Bank of China, Agricultural Development Bank of China, China Merchants Bank, Bank of Shanghai, Bank of Communications, city and rural commercial banks and foreign-invested banks. In December 2016, Far Eastern finalised a five-year strategic cooperation agreement with China Development Bank, ending 2021. In September 2018, Far Eastern finalised a strategic cooperation agreement with Bank of Shanghai. These relationships have allowed the Group to secure the sustainable sources of financing to support its business growth and working capital requirements. The Group also encourages foreign syndicated facility renewal to further developed foreign facilities markets such as Hong Kong and Taiwan.

The Group has also diversified its funding sources to include private banking, trusts, third-party wealth management and the employment of financial instruments, such as asset backed securitisation, perpetual securities and medium-term notes, so as to expand its funding sources and maintain a capital-adequate and cost-efficient funding base. Since its first issuance of offshore Renminbi bonds in a principal amount of RMB1,250 million in May 2011, the Guarantor has been very active in the bond market. The Guarantor issued senior perpetual securities in June 2014 and June 2017, and further subordinated perpetual securities in December 2017, further achieving diversification in fund raising.

Other members of the Group also have a variety of financial instruments for funding purposes. Having previously issued two asset-backed securities products, Far East issued a third asset-backed securities project in July 2014, namely, Far Eastern Third Leasing Asset Backed Security Management Programme. In August 2014, Far Eastern received a notice of acceptance of registration (the "**Registration Notice**"), issued by National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會), to issue domestic medium-term notes with registered amount of RMB3 billion within two years commencing from the date of issue of the Registration Notice. It was one of few domestic leasing companies that were given a rating of investment grade internationally recognised and had diverse financing methods with an improved liability structure, enabling it to further reduce its reliability on a single product and a single market and in turn to achieve diversity of financing products, decentralisation of financing regions and the long-term finance. In September 2014, Far Eastern completed the issuance of five-year domestic medium term notes with a coupon rate of 5.6 per cent. per annum in a principal amount of RMB1.5 billion pursuant to the Registration Notice. Far Eastern was the first finance leasing company in the PRC being approved to issue medium term notes in the inter-bank market publicly.

In 2015, the Group proactively adjusted its financing strategies and increased its financing ratio in China due to the looser domestic monetary market and lowering financing costs. In 2016, the Group further enriched bond portfolios at home. With respect to direct financing, there were 14 issuances in that year, with the cumulative amount of RMB26 billion, including RMB13 billion of corporate bonds, RMB8 billion of private placement notes, RMB2 billion of ultra-short financing bills, RMB2 billion of short financing bills and RMB1 billion of other bonds.

In respect of indirect financing, the Group maintained its current financing channel and strengthened its cooperative relationships with key bank channels at the same time. The Group has also achieved cross-platform facility on the basis of the current financing channel as required by its strategic development, and strengthened its cooperation relationship with key bank channels, in particular with the six big banks and three policy banks. At the same time, the Group has adjusted its previous cooperation methods according to its own development progress and channel characteristics in order to meet the demand for the Group's products.

In terms of off-balance sheet financing, the issuing efficiency of the Group's asset securitisation products was significantly improved, and the issuance cost repeatedly hit a record low, which enabled the Guarantor to be the most active financial leasing company with the issue of asset-backed securities products in China. In 2019, the Group was awarded the "Excellent Participant in Asset Securitisation Business" by the Shanghai Stock Exchange. Off-balance sheet financing diversified funding sources optimised the Group's liability structure and improved the management of financial statements.

In 2017, in order to replenish the working capital and further expand the scale of its business, the Group further enriched its bond financing channels. The Group enhanced the size of the distribution in the domestic and foreign direct financing market. The Group completed 22 issuances in the year, with an aggregate amount of RMB40.3 billion, including corporate bonds of RMB15 billion, private placement notes of RMB10.8 billion, ultra-short financial bonds of RMB7.5 billion, short-term financial bonds of RMB1.5 billion, mid-term notes of RMB5 billion and other bonds of RMB0.5 billion. In 2018, the Group further enriched its bond financing varieties and expanded the size of its issuances in the domestic direct financing market, creating an environment for continuous issuance. The Group completed 17 issuances in the year, with an aggregate amount of RMB22.7 billion, including corporate bonds of RMB9.7 billion, private placement notes of RMB3.5 billion, ultra-short financial bonds of RMB7.5 billion, and mid-term notes of RMB2.0 billion. In 2019, the Group completed 13 issuances in the year, with an aggregate amount of RMB17.0 billion, including ultra-short financial bonds of RMB9.0 billion, corporate bonds of RMB7.0 billion, and mid-term notes of RMB1.0 billion. In February 2020, the Group successfully completed the issuance of the first RMB2 billion of renewable disease prevention and control bonds. The funds raised are planned to be used in part to support the development of enterprises in epidemic areas and pharmaceutical companies, which reflects the Group's social responsibility and active participation in epidemic prevention work. In July 2020, the Issuer issued U.S.\$300,000,000 2.50 per cent. guaranteed convertible bonds due 2025. In December 2020, the Issuer issued U.S.\$200,000,000 zero coupon guaranteed convertible bonds due 2025.

The Group has further enriched its bond portfolios by introducing innovative products, such as renewable corporate bonds, and has formed the new stage of alternate issue of various products, such as corporate bonds, PPN and ultra-short financing bills in different markets. Currently the Group is fully equipped with continuous and effective ability to issue securities, enabling it to set up the image of being a mature issuer in the capital markets.

In summary, the Group has diverse financing methods with an improved liability structure, thus further reducing its reliance on a single product or a single market, and in turn achieving diversification of financing products, decentralisation of financing markets and continuation of maintaining a competitive cost advantage.

The Group is also able to match, effectively, its funding with its asset growth on an ongoing basis through regular review and adjustment of its funding sources and structure in view of the changes in its internal and external business environments.

The Group manages its liquidity risks by regularly monitoring the relative maturities between its assets and liabilities and taking the necessary steps to maintain an appropriate and prudent balance of long-term and short-term funding sources. The Group manages its interest rate exposure by regularly assessing potential changes in interest rates using gap analysis. It further strengthens research capabilities to determine interest rate fluctuations and trends by formulating regular tracking and reporting systems.

Business Strategies

The Group intends to implement the following principal strategies to grow its business:

Capitalising on growth opportunities of China's financial leasing market.

The Group believes China's financial leasing industry is still underdeveloped, and that its target industries still enjoy sustainable growth potential. Hence, there are promising opportunities to explore the attractive growth potential of China's financial leasing industry and its target industries. Furthermore, the Group intends to continue exploring growth opportunities within other target industries in China with growth potential and in which it believes its services can be competitive, so as to complement its existing business. The Group believes that its track record and experience in China's financial leasing industry has provided it with sufficient insights into industry trends, customer needs and market potential, which will equip it with the required capabilities to pursue suitable expansion and penetration into these new industries.

In addition, the Group believes that there is substantial growth potential in the market demand for its financial leasing services arising from the growth of private sector enterprises and public institutions. In addition to conventional bank lending, the Group's ability to understand the value of the assets underlying the leases as well as its customers' needs provides a differentiated and effective competitive advantage. For close to 29 years, the Group has been successfully developing its business by taking advantage of the rapid growth of China's economy and the continuing opening up of China's financial market. The Group intends to continue to capitalise on growth opportunities of China's financial leasing market by leveraging its industrial expertise, established presence in its target industries and extensive customer network.

Expanding the Group's customer base and achieving deeper market penetration within its existing target industries through focused sales and marketing efforts and the expansion of its existing services.

The Group is constantly evaluating opportunities to leverage its significant industry expertise and extend its services to additional customer segments within each of its existing target industries. In this respect, the Group plans to devote more attention, manpower and resources to expanding its customer base and strengthening its customer relationships through focused sales and marketing efforts and further segmentation of China's economic areas in which it operates. These sales and marketing efforts will include the regular organisation of, and participation in, more industry exhibitions and trade associations so as to maintain industry presence and promote its specialised industry knowledge among key industry players. The Group believes that such focused sales and marketing efforts will strengthen market demand for its integrated financial services and enable it to further capture larger market share and more customer segments ahead of its competitors.

The Group has also adopted the operational philosophy and development strategy of "finance + industry" and focused on the basic industries related to national economy and people's livelihood. The Group endeavours to realise its vision of "Integrating global resources and promoting China's industries" by making innovations in products and services to provide its customers with tailor-made integrated operations services. For instances, the Group has integrated the high-quality resources of its healthcare business unit and ventured into high-end maternity and rehabilitation services, further expanding the Group's influence in the healthcare industry.

Within its existing services, the Group increased the introduction and cultivation of medical personnel, strengthened the quality of medical care and service management, promoted the development and construction of disciplines and greatly increased the medical service capability and management level of the Group's hospitals.

Diversifying services portfolio in China to enhance the Group's value-adding capabilities.

The Group believes innovation is key to the continuing growth of its business. It intends to continue to develop a differentiated services portfolio, targeting specific customers' needs so that it can differentiate itself from its competitors and enhance its market competitiveness. Going forward, when suitable opportunities arise, the Group intends to expand its services portfolio to explore the medical engineering business in the healthcare industry, explore opportunities in higher-end quality kindergartens and schools in the culture & tourism industry, to extend its services across the packaging industry value chain, and to provide operating leases in the engineering construction industry.

Through the diversification of its services portfolio and expanded scope of integrated value-added services, the Group intends to continue to broaden its customer base, develop a greater understanding of its customers' needs, cultivate long-lasting relationships and secure more repeat business. The Group intends to extend the reach of its new services within China by leveraging its brand equity, business network, established customer base, expertise within the industry value chain, sales and marketing expertise, and management expertise to set strategic directions pertaining to its service portfolio diversification and, where required, acquire suitable management and technical expertise.

Continue to optimise funding sources, minimise funding cost and effectively manage funding risks.

The Group will continue to seek to minimise its costs of funding and expand its funding sources on a sustainable basis to maintain the liquidity necessary to manage its business growth and to provide competitive pricing to its customers. The Group intends to leverage its previous experience in the issuance of three Far Eastern asset-backed security management programmes and domestic medium term notes in the PRC inter-bank market and use similar financing channels under appropriate market conditions. The Group will leverage the opening up of China's financial markets to explore further financing options where suitable opportunities arise and under appropriate market conditions. In addition, the Group intends to increase its participation in the capital markets (including both equity and debt financing) as additional funding sources. The Group also seeks to enhance its strategic cooperation with both domestic and foreign financial institutions to facilitate timely funding at competitive rates for its business operations, and will continue to adhere to its stringent processes to effectively manage its liquidity and interest rate risks.

In 2019, under the strategy of “resources globalisation”, the Group continued to optimise its liability structure and effectively control its finance costs. The Group's major measures are as follows: (i) the Group will deepen its cooperation with domestic major banks and non-bank institutions; (ii) the Group will actively focus on development in international market, enhance its communications with rating agencies and investors, as well as expand its cooperation with overseas financial markets; and (iii) the Group will continue to explore new channels and products, thereby further enhancing and enriching its financing structure.

Continue to strengthen risk management capabilities.

The Group intends to continue to enhance its risk management capabilities by continuing to implement an integrated and dynamic risk management system and optimising its prudent risk management systems to protect the long-term interests of its shareholders, customers and employees. The Group also intends to proactively streamline its procedures to enhance its stringent selection process of suitable fundamental and sustainable industries, the segmentation of suitable target customers, its customer credit assessment and approval procedures, and its portfolio monitoring and management. In addition, the Group intends to upgrade its information technology system, and to more closely monitor and control the status of assets, its financing project management and overall asset monitoring of the Guarantor.

Continue to select, develop, motivate and retain a talented and professional workforce.

The Group believes that part of its success is greatly attributable to its ability to select, develop, motivate and retain its talented and professional workforce. The Group plans to further strengthen its workforce to meet its strategic goals. The Group will continue to focus on recruiting and cultivating the technical expertise and industrial knowledge of its workforce and training and development programmes to enhance its employees' professional knowledge and capability. The Group is dedicated to the creation of a supportive culture, promoting personal and professional development. The Group will continue to rely on an incentive-based compensation structure to better align employees' compensation with their contribution to its business. The Group will also continue to improve its human resources policies to attract, train, incentivise and retain employees.

Sales and Marketing

The Group organises its sales and marketing activities by industry divisions, and its sales and marketing network has been developed along with the development of its industry divisions. Each industry division has its own sales and marketing strategies and plans, conducts market and consumer research, coordinates marketing activities for the particular industry, promotes partnership and cooperation relationships with customers, and conducts sales and marketing activities with personnel having substantial industry expertise. As at 31 December 2020, the Group has established a nationwide sales and marketing network throughout its regional offices which are strategically located in Harbin, Shenyang, Beijing, Tianjin, Urumqi, Taiyuan, Jinan, Zhengzhou, Xi'an, Nanjing, Hefei, Shanghai, Chengdu, Wuhan, Chongqing, Nanchang, Changsha, Guiyang, Kunming, Xiamen, Guangzhou, Nanning, Shenzhen and Hong Kong in close proximity to the principal offices of its key target customers. In addition, it intends to establish more regional offices as its client base grows. The Group provides its services directly through its sales staff. It sends its sales staff directly to the customers to understand their requests and needs, and to establish close relationships with them. The industry expertise and background of the staff bring better sales and marketing achievements.

The Group promotes customer awareness of its brands and products through its advertising and promotional activities. It has combined its sales and marketing efforts with various activities, including the following:

- organisation of interactive meetings and regular industry exhibitions involving its customers, industry professionals, suppliers and manufacturers, and representatives of regulatory authorities of each of the nine target industries;
- frequent liaison with various industry associations;
- organisation and sponsorship of a number of customer forums;
- regular visits made by its sales staff to its existing and potential customers (at, for example, industrial parks); and
- advertisement in a variety of media such as journals, magazines and television networks with specific industry focus.

These activities have enabled the Group to: (i) establish strong relationships with its customers as well as other key participants within the relevant industry; (ii) collect the latest industry information as well as demand and supply trends to facilitate its marketing efforts; and (iii) maintain a stable customer base and achieve comprehensive market coverage in its reach to potential customers.

Customers

The main customer base of the Group consists of small-to-medium-sized enterprises, large corporations and public institutions. As at 31 December 2020, the Group had around 20,000 customers across its nine target industries. The Group has established comprehensive systems adopting certain criteria for its customer-selection process, including proven track record and business scale factors, such as the target customer's total assets, revenue, stability of cash flow, competitive advantages, customer base, industry qualifications and ranking, operating and credit histories and main customer characteristics. The Group aims to select high-quality customers with strong profitability potential, long-term financing demands, stable cash flows and a sound financial base.

The Group's five largest customers contributed in aggregate less than 5 per cent. of the Group's total revenue for each of the years ended 31 December 2018, 2019 and 2020.

Funding Capabilities

The Group has established strong and effective funding capabilities and has prudently managed its balance sheet by maintaining gearing ratios at a level that the Group considers reasonable. The Group aims to make full use of capital leverage for its operations to keep its gearing ratio relatively high but at the same time closely managing the levels of gearing ratio to avoid any potential liquidity risk. By reference to the gearing ratios of commercial banks and main competitors in China, the Group believes that its gearing ratio was maintained at reasonable levels for the three years ended 31 December 2018, 2019 and 2020. It has been able to secure sufficient equity and debt financing to match the expansion of its business operations and working capital requirements. It has achieved stable funding while diversifying its funding sources by implementing the following funding strategies:

- steady and effective management of its funding through stringent and dynamic capital budgeting systems to optimise funding continuity and maturity profiles, and to mitigate liquidity risks;
- operating through streamlined capital management workflows to enhance capital efficiency;
- diversifying funding channels to ensure capital supply and balanced funding mix; and
- strategic selection of multiple domestic and overseas financial instruments to effectively manage funding costs.

Through these funding strategies, the Group is able to:

- effectively match its funding with its asset growth on an ongoing basis through regular review, adjustment and structuring of its funding sources and instruments while closely monitoring changes in its internal and external business environments;
- manage its liquidity risks by regularly monitoring the relative maturities between its assets and liabilities and taking the necessary steps to maintain an appropriate and prudent balance of long-term and short-term funding sources;

- manage its interest rate exposure arising from its interest payments on its loans and financing obligations by regularly assessing potential changes in interest rates using gap analysis and further strengthening research capabilities to forecast interest rate fluctuations and trends by formulating regular tracking and reporting systems; and
- maintain diversified funding channels through various types of banks and non-bank financial institutions, and has established a well-balanced portfolio of funding sources such as loans and syndicated loans, trust financing, private banking, third-party wealth management and other financial instruments such as asset-backed securitisation perpetual securities and medium term notes so as to vary its funding sources and maintain a capital-adequate and cost-efficient funding base.

Moreover, by adhering to its funding strategies, the Group has successfully increased the proportion of long-term interest-bearing bank and other borrowings to more adequately match the maturity profile of its assets.

Depending on its business development and capital needs, subject to market conditions, the Group will, from time to time, explore suitable fund raising channels, including leveraging both equity and/or debt markets, as well as any other financing possibilities.

Competition

The opening up of the financial leasing industry in China has resulted in increased competition. The Group's competitors are mainly non-bank financial service providers, in particular bank-affiliated leasing companies, captive leasing companies and independent leasing companies which operate either on a similar or larger scale than the Group. Benefiting from China's supportive policies, China's financial leasing industry has increased greatly in the number of its participants in recent years. Based on market information, as at 31 December 2020, there were approximately 12,156 financial leasing entities, including domestic, foreign and foreign-invested enterprises operating in China, as compared with 12,130 financial leasing entities operating in China as at 31 December 2019. The financial leasing industry erects high entry barriers, which include operational qualifications, initial starting capital, strong and sustainable capital funding capabilities, professional and industrialised risk management and sales and marketing strengths.

Bank-affiliated leasing companies typically focus on big ticket leasing and have a customer base largely built on the banks' network. Captive leasing companies (which refers to the internal leasing division or the subsidiary leasing arm owned by a manufacturer or a dealer for the purposes of offering alternative financing options to the parent company's customers) typically focus on supporting their equipment sales and planning their business expansions in line with their equipment sale demand. Independent leasing companies utilise diversified capital sources and provide services to a relatively broader customer base characterised by greater flexibility, independence and discretion.

The Group's ability to compete against these competitors is, to a significant extent, dependent on its ability to distinguish its services from those of the Group's competitors through the following factors:

- provision of integrated, customised and supplemental value-added services that are competitive in terms of quality and effectiveness;
- extensive market coverage in China by leveraging on its sales and marketing capabilities;
- specific industry focus and professional expertise;
- diversified capital sourcing capabilities; and
- strong brand equity and established customer relationships.

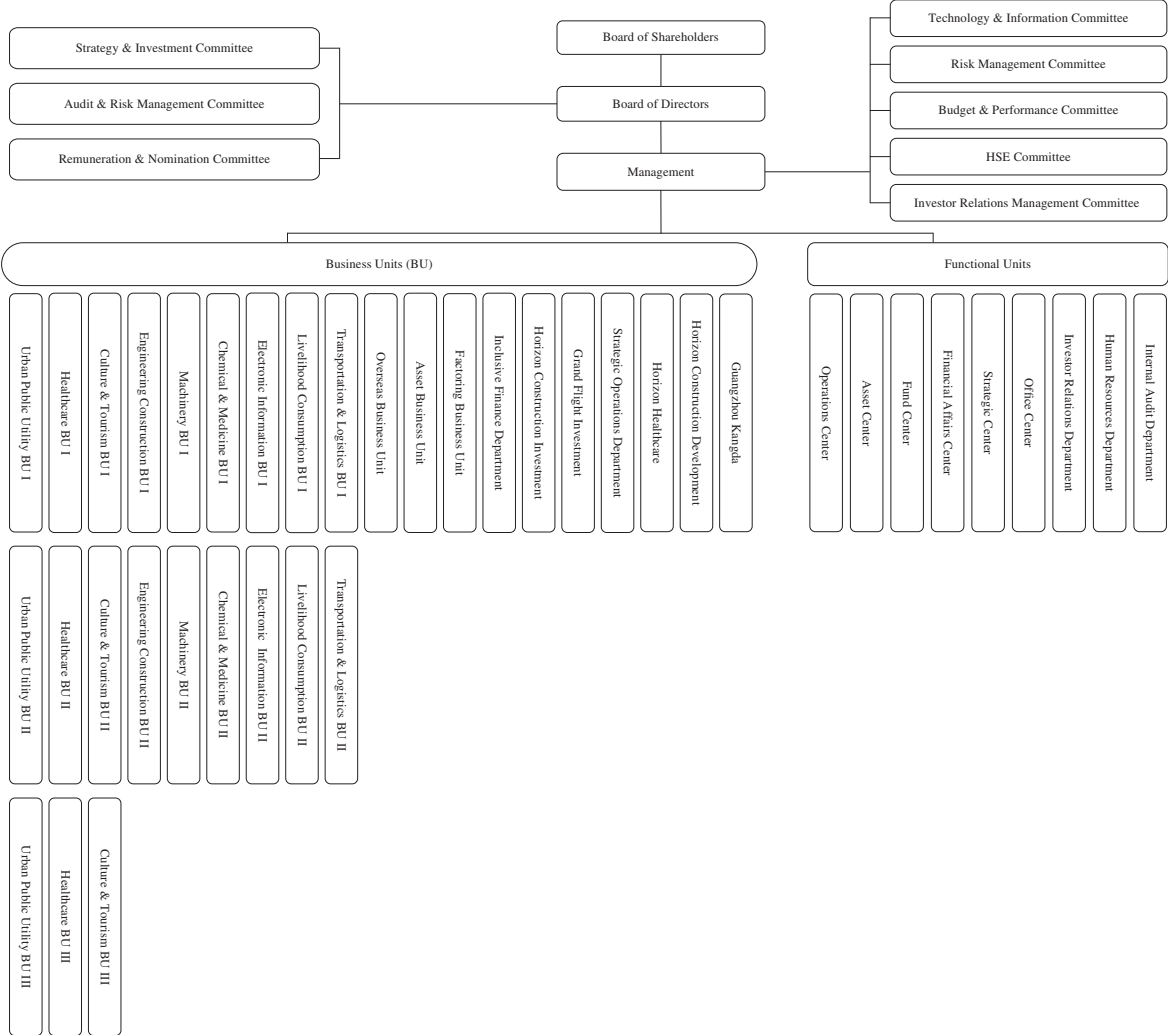
The Group intends to continue to implement its strategies to differentiate itself from its competitors and to enable it to compete effectively in China's financial services industry.

Risk Management

As a financial services provider, the Group is subject to substantial liquidity risk, credit risk and interest rate risk in its business operations while it is exposed to relatively limited operational risk and exchange rate risk. The Group's risk management principle is to implement an integrated and dynamic risk management system, and continue to optimise its prudent risk management system to protect the long-term interests of its shareholders, customers and employees.

The Guarantor has established the Audit and Risk Management Committee and Internal Audit Department which report to the board of directors. Owing to the prudent risk management system the Group has established, the Group's non-performing asset ratio as at 31 December 2018, 2019 and 2020 was 0.96 per cent., 1.11 per cent., and 1.10 per cent., respectively. The assets are interest-earning.

The chart below sets forth the Group’s organisation structure and reporting system for its internal risk management.



The Group has adopted the following strategies to achieve its risk management objectives:

- continue to optimise its business model, integrating it with the Group’s enhanced corporate governance structure to strategically reduce systematic risks, including strategic selection of industries and sub-sectors within each industry;
- continue to remain selective in the screening of customers, based on the Group’s thorough industry understanding. In 2019, the Group endeavoured to minimise risk by addressing information asymmetry regarding its customers by obtaining further information of the relevant market and the customers themselves;
- continue to strengthen the Group’s risk management capabilities by taking advantage of a layered and independent risk management structure. In 2016, the Group established a collective management system covering four levels, namely the Group headquarters level, industrial group level, platform companies level and enterprise level, which strengthened collective management and control. This mitigates the increasing risks that the Group faces with its active adoption of its “finance + industry” strategy, which involves the rapid development into its main target industries such as hospital, education and engineering equipment sectors;
- continue to optimise the Group’s customer evaluation model based on its extensive customer base and its deep understanding of the customers’ common characteristics. The Group has implemented differentiation risk management for different industries;
- continue to utilise the Group’s broad customer base and industry contacts to effectively dispose of repossessed assets due to events of default, thereby mitigating potential losses;

- continue to cultivate a strong risk management culture through rigorous implementation of the Group's risk management policies and measures, as well as company-wide senior employee training;
- continue to optimise the asset allocation and comprehensively control the asset introduction risks;
- continue to construct a strict asset monitoring system, including putting in place asset management localisation systems and enhancing internet monitoring systems, which has helped strengthened the risk prevention and mitigation; and
- continue to optimise its risk assets disposal capabilities by forming special teams to provide collective litigation support, establishing and implementing various supporting mechanisms, enhancing the efficiency of cross-department collaboration and rapidly developing the regional disposal resources.

Risk Management Procedures

The following table below sets forth the risk management measures adopted by the Group in the following nine major industries:

Healthcare

The Group's healthcare customers generally include hospitals with a proven track record and of a satisfactory business scale. The Group controls its risk in the healthcare industry mainly by (i) stringent internal standards in selecting its healthcare customers with the aim of retaining high-quality customers with stable cash flow and strong credit ratings, and (ii) efficient process management of leased healthcare equipment through its well-developed customer management capabilities.

Culture & tourism

The Group controls its risk in the culture & tourism industry by prioritising two groups of customers: (i) the customers in the culture & tourism industry which have access to high-end scenic spots with unique monopoly tourism resources; (ii) higher-education institutions with stable enrolment rate and K-12 education institutions with rapid income growth rate and a long-term focus on education. These two groups of customers share the following favourable common characteristics: (i) ability to maintain stable cash flow; (ii) extensive financing channels and outstanding financing capabilities, which make them appear as partners for the financial institutions; and (iii) the first group of customers is the main driving force for China to increase domestic demand and local consumption, while the second group has a high degree of stability, and some of them possess more growth potential.

Engineering construction

The Group controls its risk in the engineering construction industry by: (i) stringent selection of clients from reputable construction companies, which must have an operating history or management history amounting to a stipulated number of years, and with asset value reaching a required threshold; (ii) equipment management and control characterised by conducting detailed audits on customer credit diligence; and (iii) adopting strict tracking techniques to ensure asset safety.

Machinery

The Group controls its risk in the machinery industry by: (i) stringent equipment selection and controls characterised by conducting customer credit diligence; and (ii) matching the specific demands for its customers in relation to deal structure.

Chemical & medicine	The Group controls its risks in the chemical & medicine industry by: (i) developing relationships with state-owned customers, and maintaining close relationships with current customers in the private sector with cost advantages; and (ii) prioritising a strong demand and related industry chain for the medicine industry, attracting customers with specialty raw material and those which have medicines with clinical value and remarkable efficacy, and customers with poor environmental and safety management are restricted.
Electronic information	The Group controls its risk in the electronic information industry by: (i) conducting in-depth research on the industry; (ii) stringent internal standards in selecting customers and projects; and (iii) conducting careful and continual testing of the technologies and/or products.
Livelihood & consumption	The Group controls its risk in the livelihood & consumption industry by: (i) conducting in-depth research on the industry; (ii) stringent internal standards in selecting customers and projects; and (iii) conducting careful and continual testing of the technologies and/or products.
Transportation & logistics	The Group controls its risk in the transportation & logistics industry by: (i) for the logistic segment, stringent selection of clients from companies that have long-term establishment, stable operating capacity and relatively high credit rating; (ii) for the ship segment, stringent selection of clients as well as stringent controls on lease amounts, which generally represent 50 per cent. to 60 per cent. of the value of the vessel collateral while engaging independent firms to evaluate the remaining market value of vessels and track the value of the ship.
Urban public utility	Customers in the urban public utility sector are usually of good quality and are businesses of a large scale and are able to make timely repayment. The Group controls its risk in the urban public utility industry by: (i) stringent selection of customers according to the Group's strict internal standards and targeting highly qualified urban public companies as customers (mainly comprise urban utilities companies in the capital cities and also the ones in the cities with GDP over RMB200 billion); (ii) selecting customers that have business stability, large income and a monopoly position in the located city, provide indispensable services for the operation of the cities and continually to receive persistent large amounts of government subsidies; and (iii) ensuring customers have a stable cash flow, diversified financing sources and good repayment records of their financings in the past.

The Group has implemented its prudent risk management system across three dimensions:

Business Model Dimension

The Group's business is organised and operated with an industry-focus approach. Such a business model helps manage systematic risk through established procedures, primarily comprising: (i) a stringent selection process of suitable fundamental and sustainable industries; (ii) segmentation of suitable targeted customers; (iii) customer credit assessment and approval procedures; and (iv) portfolio monitoring and management. The Group believes these established procedures enable it to maintain relatively low overall risk.

Strategic Dimension

The Group's risk management initiatives at the strategic level are led by its CEO and senior management under the supervision of its Audit and Risk Management Committee, with the management focusing on risks arising from its strategic planning, business operations, corporate credit environment, finance and accounting, and the financial markets. The Group has established a vertical reporting procedure involving relevant functional departments in its strategic risk management system, and a monthly risk reporting framework has been established to monitor the overall risk balance at the corporate level and to regularly oversee its risk management system at strategic level.

Operational Dimension

The Group's risk management initiatives at the operational level primarily focus on the management of its credit risk (which includes risks arising from new industry selection, new customer selection and customer credit assessment and approval, as well as portfolio monitoring and management), operational risk, liquidity risk and interest rate risk. The Group has organised its credit, strategy, asset management and finance departments to organise a joint assessment group to carry out market testing, verification steps and a period of pilot assessment before initiating any new industry projects. If any risks are identified during that period, the particular business project will not go ahead. The Group has established "three lines of defence" at the operational level, mainly:

- in terms of credit risk and operational risk management, the Group has been: (i) controlling project risks by ensuring strict adherence to internal credit facility standards and preliminary screening guidelines; (ii) assessing credit risks of new customers and projects through standardised credit evaluation procedures before entering into any business contract; (iii) strengthening its internal authorisation and approval policies and procedures; and (iv) instituting effective supervision and monitoring measures during post-transaction asset monitoring and management;
- in terms of liquidity risk management, the Group has been prudently managing its balance sheet to match the maturity periods of its assets and liabilities; and
- in terms of interest rate risk management, the Group has been hedging its interest rate risk by matching its lease pricing mechanisms with interest on its borrowings.

In addition, the Group has established an independent internal audit department which oversees its risk management system. It reports directly to the audit committee of the Group on a regular basis and performs independent audits of the reasonableness, completeness and effectiveness of its operational management and risk controls.

Information Technology

The Group's information technology ("IT") systems are integral to many aspects of its business operations, including transaction processing, quality control, risk management, customer services and financial management. The Group has adopted a number of advanced IT systems to improve the efficiency and quality of its services and to further strengthen its risk and financial management capabilities.

The Group may face IT risks arising from the malfunction of its IT systems on which its operations significantly rely. The Information Management Department is responsible for managing and controlling its IT risks. The Group manages its IT risks in terms of information technology governance, information system formulation, system maintenance and information security. The Group has established an IT team, consisting of approximately 416 employees as at 31 December 2020, with extensive IT knowledge and experience, to design its IT systems and to supervise implementation of IT related rules and measures. The Group has also formulated and implemented a series of internal rules to regulate information system governance measures, procedures and tools, inspection of its internet environment and equipment maintenance, and information safety strategies, anti-virus protection and internet controls. The Group has also established an internal back-up IT system at its operation centre in Shanghai.

Insurance

As at 31 December 2020, the Group maintains a range of insurance coverage on its fixed assets underlying its leases. The Group maintains asset insurance for the assets underlying its leases to cover any loss or damage to such assets during the leasing period. In line with common market practice, the Group usually does not maintain asset insurance for assets from hospitals and universities. The insurance payments are generally paid by its customers in line with leasing industry practice and the Guarantor is usually the beneficiary of such insurance.

The Group also carries property insurance and cargo transportation insurance coverage for its trade business. In addition, the Group maintains directors, and officers' liability insurance coverage. The Group provides social security insurance for its employees as required by PRC social security regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance. The Group does not have any business interruption insurance, which is not required under PRC laws and regulations.

Intellectual Property

The Guarantor conducts its business under the "Far East Horizon" and "遠東宏信" brand names. It is the registered owner of the domain name of its website: www.fehorizon.com. It does not license any of its intellectual property rights to any third parties.

Employees

As at 31 December 2020, the Group had 21,672 full-time employees, an increase of 6,901 full-time employees as compared to 14,771 in the corresponding period of 2019. The Group believes that it has a high-quality workforce with specialised industry expertise, with approximately 39.5 per cent. of its employees having bachelor's degrees and above, and approximately 7.1 per cent. having master's degrees and above as at 31 December 2020. More than half of the Group's key employees have an average experience of over nine years within the relevant target industry.

The Group has established effective employee incentive schemes to correlate the remuneration of its employees with their overall performance and contribution to the Guarantor rather than operational results and has established a merit-based remuneration awards system. Employees are promoted not only in terms of position and seniority, but also in terms of professional classification. The senior employees of the Group are reviewed every quarter on the basis of, among other criteria, their performance as business leaders to achieve stipulated performance targets (such as budget targets) and their risk management capabilities on the operational matters under their supervision.

Training and Development

The Group places great emphasis on the training and development of its employees. The Group has developed a series of training courses with individualised emphasis and focus based on its accumulated industry experience over the ten years since the Group entered the financial leasing market. The Group invests in continuing education and training programmes for its management staff and other employees with a view to constantly upgrading their skills and knowledge. The Group has arranged for internal and external professional training programmes to develop its employees' skills and knowledge. These programmes include further educational studies, fundamental economics and finance knowledge and skills training and professional development courses for its management personnel. New employees are required to attend induction training courses to ensure that they are equipped with the necessary skills to perform their duties, and they are also required to participate in a one-year mentoring programme to learn closely from other experienced employees with outstanding performance.

Employee Relations

Neither of the Guarantor nor the Group has experienced any strikes or significant labour disputes which have materially affected its operations, and it considers its relations with the employees to be good.

In accordance with PRC regulations, the Group has established an employee labour union, in which all of its employees are eligible for participation. The labour union organises various activities for its employees, such as charity fund raising activities to help employees in poor economic condition due to serious illnesses. The Group also provides financial assistance to its new college graduate employees who need funds for renting apartments in Shanghai. The labour union has established a labour dispute committee to assist its employees in dealing with their potential labour disputes with the Guarantor.

Employee Benefits

In accordance with applicable PRC regulations, the Group has made contributions to social security insurance funds, including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for its employees. The Group also provides supplemental commercial medical insurance, property insurance and safety insurance in addition to those required under the PRC regulations. As at 31 December 2020, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material aspects.

The Group has established effective employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to Group rather than operating results, and have established a merit-based remuneration awards system. Employees are promoted, not only in terms of position and seniority, but also in terms of professional classification. Our senior employees are reviewed every quarter on the basis of, among other criteria, their performance as business leaders to achieve stipulated performance targets (such as budget targets) and their risk management capabilities on the operational matters under their charge.

With a view of promoting the Group to establish and complete the medium-to long-term stimulation and restriction system for fully arousing the enthusiasm of the management, attracting and retaining the excellent management talents, and effectively integrating the interests of shareholders, the Guarantor adopted a share option scheme (the “**2014 Share Option Scheme**”) on 7 July 2014. Since the total share options under the 2014 Share Option Scheme had been fully granted, on 5 June 2019, the Guarantor adopted a new share option scheme (the “**2019 Share Option Scheme**”) to incentivise and reward the selected participants thereunder. The Guarantor also adopted a restricted share award scheme (the “**2014 Restricted Share Award Scheme**”) on 11 June 2014 and made certain amendments to such scheme on 2 June 2016 and 20 March 2019.

2014 Share Option Scheme

The purpose of the 2014 Share Option Scheme is to incentivise and reward selected participants (i.e., senior and middle management personnel, as well as other key employees of the Guarantor or any subsidiary of the Guarantor) for their contribution to the Group and to align their interests with that of the Guarantor so as to encourage them to work towards enhancing the value of the Guarantor. The eligibility of the selected participants will be decided by the Directors or the administration committee of such scheme, at its respective absolute discretion, as to his contribution to the Guarantor or any of its subsidiaries. The 2014 Share Option Scheme is valid for 10 years from 7 July 2014, the date of its adoption. The maximum number of new shares in respect of which options may be granted under the 2014 Share Option Scheme will not exceed 4 per cent. of the Guarantor’s issued share capital as at the date of approval of the 2014 Share Option Scheme by the Shareholders, which is 131,696,000 shares. The maximum number of shares which are issued and may be issued upon exercise of all options (including exercised and outstanding options) granted to any selected participant within any 12-month period must not exceed 1 per cent. of the issued share capital of the Guarantor from time to time. Any grant of further share options above this limit is subject to certain requirements as stipulated in the listing rules of the Hong Kong Stock Exchange and the rules of the 2014 Share Option Scheme.

2019 Share Option Scheme

The purpose of the 2019 Share Option Scheme is to incentivise and reward selected participants (i.e. senior and middle management personnel, as well as other key employees of the Guarantor or any subsidiary of the Guarantor) for their contribution to the Group and to align their interests with that of the Guarantor so as to encourage them to work towards enhancing the value of the Guarantor. The eligibility of the selected participants will be decided by the Directors or the administration committee of such scheme, at its respective absolute discretion, as to his contribution to the Guarantor or any of its subsidiaries. The 2019 Share Option Scheme is valid for 10 years from 5 June 2019, the date of its adoption. The maximum number of new shares in respect of which options may be granted under the 2019 Share Option Scheme will not exceed 4 per cent. of the Guarantor's issued share capital as at the date of approval of the 2019 Share Option Scheme by the Shareholders, which is 158,167,904 shares. The maximum number of shares which are issued and may be issued upon exercise of all options (including exercised and outstanding options) granted to any selected participant within any 12-month period must not exceed 1 per cent. of the issued share capital of the Guarantor from time to time. Any grant of further share options above this limit is subject to certain requirements as stipulated in the listing rules of the Hong Kong Stock Exchange and the rules of the 2019 Share Option Scheme.

2014 Restricted Share Award Scheme

In July 2020, the Guarantor granted 37,485,793 shares to certain qualified participants (the “**Selected Grantees**”) under the 2014 Restricted Share Award Scheme. Under the 2014 Restricted Share Award Scheme, restricted shares (the “**Restricted Shares**”) will be held on trust for the grantees until such Restricted Shares are vested with the relevant selected grantees in accordance with the rules of the 2014 Restricted Share Award Scheme. As at 31 December 2020, the Guarantor granted an aggregate of 283,740,200 shares under the 2014 Restricted Share Award Scheme.

Properties

As at 31 December 2020, the Group has not obtained the property ownership certificates for five buildings with a total net book value of RMB569,052,000, but was in the process of applying for the property ownership certificates for the above buildings.

Environmental Compliance

As a financial service provider, the Group is not subject to any significant environmental regulation. It does not currently have any environmental liabilities and does not expect to incur any environmental liabilities that could have any material impact on its financial condition or business operations in the future.

Legal Proceedings

The Group is involved, from time to time, in legal proceedings arising in the ordinary course of its operations. A majority of these legal proceedings involve claims initiated by it to recover payment of leasing receivables from its customers.

As at 31 December 2020, no legal proceeding was initiated by any third party against the Group as a defendant which could have a material adverse effect on the financial condition, prospects or results of operations of the Guarantor or the Group, or which are otherwise material in the context of the issue of the Bonds.

DIRECTORS

The board of the Guarantor (the “**Board**”) currently consists of 11 Directors, comprising two executive Directors, five non-executive Directors and four independent non-executive Directors. The Board is responsible for leadership and control of the Guarantor and oversees the Group’s businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Guarantor by directing and supervising its affairs. Other duties of the Board include convening shareholders’ meetings, reporting on the Board’s work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating the Guarantor’s annual budget and final accounts, and formulating its proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association of the Guarantor.

<u>Name</u>	<u>Position</u>
NING Gaoning	Chairman and Non-executive Director
KONG Fanxing	Vice Chairman and Executive Director
WANG Mingzhe	Executive Director
YANG Lin	Non-executive Director
LIU Haifeng David	Non-executive Director
KUO Ming-Jian	Non-executive Director
John LAW	Non-executive Director
CAI Cunqiang	Independent Non-executive Director
HAN Xiaojing	Independent Non-executive Director
LIU Jialin	Independent Non-executive Director
YIP Wai Ming	Independent Non-executive Director

Mr. NING Gaoning (寧高寧), aged 62, holds a Bachelor’s degree in Economics from Shandong University in China and a Master of Business Administration degree from University of Pittsburgh in the United States. Mr. Ning has been the chairman and the Party Group Secretary of Sinochem Group since December 2015 and was appointed as a non-executive director of the Guarantor in March 2016.

Mr. Ning served as the chairman of the board of directors of COFCO Corporation (“**COFCO**”) from December 2004 to January 2016, and also served as a director of certain subsidiaries of COFCO. Before joining COFCO, Mr. Ning held various positions such as vice chairman, director and general manager at China Resources (Holdings) Company Limited and certain of its subsidiaries.

In the last four years, Mr. Ning was a non-executive director of China Agri-Industries Holdings Limited (a company listed on the HKSE), a non-executive director of China Foods Limited (a company listed on the HKSE) (“**China Foods**”), a non-executive director of CPMC Holdings Limited (a company listed on the HKSE) and the chairman of the board of directors and a non-executive director of China Mengniu Dairy Company Limited (a company listed on the HKSE) until February 2016. Mr. Ning was a director of BOC International Holdings Limited, an independent non-executive director of Bank of China (Hong Kong) Limited and an independent non-executive director of BOC Hong Kong (Holdings) Limited (a company listed on the HKSE) until October 2014. Mr. Ning was also an independent director of Huayuan Property Co., Ltd. (a company listed on the Shanghai Stock Exchange) until November 2014 and an executive director of China Foods until November 2013.

Mr. Ning has rich business management experience and extensive knowledge about economic activities of capital market.

Mr. KONG Fanxing (孔繁星), aged 57, is an executive director, the Vice Chairman and the Chief Executive Officer of the Guarantor. Mr. Kong received an EMBA degree from Peking University in March 2005, a master’s degree in Economics and a bachelor’s degree in Economics from University of International Business and Economics (對外經濟貿易大學) in China in June 1991 and July 1986, respectively. Mr. Kong joined Sinochem Group in August 1991. During the period which Mr. Kong worked for Sinochem Group, he had been the general manager of Sinochem International Engineering Trade Company (中化國際工程貿易公司), the deputy general manager of Sinochem International Industrial Company (中化國際實業公司), the deputy general manager, general manager of Sinochem International Tendering Co., Ltd. (中化國際招標有限責任公司), the deputy chief of the fertiliser division of China National Chemicals Import & Export Corporation (中國化工進出口總公司), the executive deputy general

manager of Sinochem International Fertilizer Trading Company (中化國際化肥貿易公司) respectively. In April 2001, he joined Far Eastern and has become the general manager since then. Mr. Kong has been the President and Chief Executive Officer of the Guarantor since September 2009. Currently, Mr. Kong is also the chairman and general manager of Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) and Far East Horizon Financial, the chairman of Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Limited (遠東宏信普惠融資租賃(天津)有限公司), and the executive director and general manager of Shanghai Donghong Industrial Development Co., Ltd. (上海東泓實業發展有限公司) and Donghong Investment Co., Ltd. (東泓投資有限公司).

Mr. Kong has over 26 years of experience in enterprise management.

Mr. WANG Mingzhe (王明哲), aged 50, is an executive director and the Chief Financial Officer of the Guarantor. Mr. Wang obtained a bachelor's degree in Economics from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) in China in July 1993 and an MBA degree from Northeastern University (東北大學) in China in March 2003. Mr. Wang joined Far Eastern in October 1995 and has worked there since then. In Far Eastern, Mr. Wang served as the manager of the business development department, the deputy general manager of the first business division, the deputy general manager, the general manager and assistant general manager of the quality control department and the chief financial officer. In September 2009, Mr. Wang was appointed as the Chief Financial Officer of the Guarantor and he has held the position since then. Currently, Mr. Wang is also the general manager of the operation centre of the Guarantor, as well as the financial director of Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) and Far East Financial.

Mr. Wang has over 25 years of experience in finance management.

Mr. YANG Lin (楊林), aged 57, has been a non-executive director of the Guarantor since October 2009. Mr. Yang obtained a bachelor's degree in Economics from Tianjin Commerce College (天津商學院) in China in July 1985, and studied enterprise management course in University of Stuttgart in Germany (德國思圖加特大學) from 1990 to 1993. Mr. Yang then worked for Siemens AG and Wella AG from 1993 to 1994. In July 1994, Mr. Yang joined Sinochem Group and has worked there ever since. In Sinochem Group, Mr. Yang served as the deputy general manager of the finance and accounting department, the general manager of the treasury department and the deputy general manager of the investment and development department.

Currently, Mr. Yang is the chief financial officer of Sinochem Group as well as the chief financial officer and the chairman of the budget and evaluation committee of Sinochem Corporation. Mr. Yang also holds directorships in Sinochem International Corporation (a company listed on the Shanghai Stock Exchange) and China Jinmao Holdings Group Limited (a company listed on the HKSE) and is the chairman of China Foreign Economy, Trade Trust Co., Ltd.

Mr. Yang has approximately 25 years of experience in finance and treasury management.

Mr. LIU Haifeng David (劉海峰), aged 51, has been a non-executive director of the Guarantor since October 2009. He is the executive chairman of DCP. Prior to establishing DCP, Mr. Liu previously served as partner of KKR, co-head of KKR Asia Private Equity and chief executive officer of KKR Greater China. Prior to joining KKR, Mr. Liu was a managing director and co-head of Morgan Stanley Private Equity Asia. Mr. Liu has established one of the leading investment track records in Greater China over the past 27 years and was responsible for a number of successful and innovative investments, including Mengniu Dairy, Ping An Insurance, Qingdao Haier Co., Sunner Poultry, the Guarantor, Nanfu Battery, China Modern Dairy, United Envirotech Ltd, China International Capital Corporation Limited (CICC), China Cord Blood Corporation, Paradise Retail, Hengan International, COFCO Meat, Belle International, Yuehai Feed, Asia Dairy and Venus Medtech. Mr. Liu is an advisory director of the private equity investment fund Committee of the Asset Management Association of China (AMAC) and the chairman of the China Venture Capital and Private Equity Association (CVCA). Mr. Liu graduated from Columbia University as Class Salutatorian with a B.S. in Electrical Engineering. He is a member of Tau Beta Pi National Engineering Honor Society and a winner of the Edwin Howard Armstrong Memorial Award for the top electrical engineering student at Columbia University. "KKR" as defined in this paragraph means Kohlberg Kravis Roberts & Co. L.P. together with its affiliates. Mr. Liu also serves as a non-executive director for Sunpower Group (a company listed in Singapore).

Mr. KUO Ming-Jian (郭明鑑), aged 59, was appointed as a non-executive director of the Guarantor in March 2013. Mr. Kuo is currently the Chairman of Cathay United Bank, Chairman of Cathay United Bank (China) and a director of Cathay Financial Holding Co., Ltd. (a company listed in Taiwan). He took the roles as the vice chairman and a senior managing director and senior advisor of Blackstone Group L.P. (a company listed on the New York Stock Exchange), Great China during 2007 to 2018. Before joining Blackstone Group L.P., Mr. Kuo was a partner and co-vice chairman and managing director, Head of Greater China in H&Q Asia Pacific. Before that, Mr. Kuo was also the head and country head of investment banking for JPMorgan Chase & Co (a company listed on the New York Stock Exchange) in Hong Kong and the vice chairman of JPMorgan Chase & Co's Greater China Operating Committee, and a director of Avary Holding (Shenzhen) Co., Ltd. (a company listed on the Shenzhen Stock Exchange). Mr. Kuo was an independent non-executive director of Cathay Financial Holdings Co., Ltd. and Cathay Life Insurance Co., Ltd.

Mr. Kuo is also an independent non-executive director of Samson Holding Limited (a company listed on the HKSE), and a director of Long Chen Paper & Packing Co., Ltd. (a company listed in Taiwan).

Mr. Kuo received his undergraduate degree from Fu-Jen Catholic University and holds an MBA degree from City University of New York.

Mr. John LAW (羅強), aged 70, was appointed as a non-executive director of the Guarantor on 25 October 2012. Mr. Law worked for J.P. Morgan & Co. as training head of Asia Pacific Region, as risk manager for Greater China Region and as senior credit officer for Asia Pacific Region, Euroclear respectively. He then worked for Citigroup (a company listed on the New York Stock Exchange) from August 2000 to November 2003 as the regional credit officer for Asia Pacific Financial Markets. Prior to joining the Guarantor, he worked for International Finance Corporation from March 2004 to September 2012 as principal banking specialist for global financial markets. Mr. Law is currently a non-executive director of Rizal Commercial Banking Corporation (菲律賓中華銀行) (a company listed on the Philippines Stock Exchange).

Mr. Law holds a master's degree in business administration (finance) from Indiana University in USA and has more than 32 years' experience in finance.

Mr. CAI Cunqiang (蔡存強), aged 71, was appointed as an independent non-executive director of the Guarantor in March 2011. Mr. Cai graduated from Shanghai Maritime College (上海海運學院) (now known as Shanghai Maritime University (上海海事大學)) in 1977, and worked for that college since then. He was promoted to be a deputy professor in 1993 and later a professor in 1995. In 2001, Mr. Cai became the deputy dean of Shanghai Maritime College and was awarded the special government allowance by the State Council. Currently, Mr. Cai is a part-time lawyer in Shanghai Yingtai Law Firm (上海瀛泰律師事務所) and an arbitrator of China Maritime Arbitration Commission (中國海事仲裁委員會).

Mr. Cai is admitted to practicing law in the PRC. Mr. Cai has 43 years of experience in the shipping industry.

Mr. HAN Xiaojing (韓小京), aged 66, was appointed as an independent non-executive director of the Guarantor in March 2011. From 1986 to 1992, Mr. Han worked at China Law Center (中國法律事務中心). During the same period, he spent three and a half years at Zimmerman Lawyers (默爾曼律師事務所) in Canada and Livasiri & Co. (廖綺雲律師事務所) in Hong Kong for study. In 1992, Mr. Han was involved in the establishment of Commerce & Finance Law Offices (北京市通商律師事務所), and has been a partner there ever since. Mr. Han is admitted to practicing law in the PRC and has 34 years of experience in the legal profession.

Currently, Mr. Han is an independent non-executive director of Sino-Ocean Group Holdings Limited (遠洋集團控股有限公司) (a company listed on the HKSE) and Vital Innovations Holdings Limited (維太創科控股有限公司) (a company listed on the HKSE). He also serves as a supervisor of Ping An Bank Company Limited (平安銀行股份有限公司) (a company listed on the Shenzhen Stock Exchange).

Mr. LIU Jialin (劉嘉凌), aged 58, was appointed as an independent non-executive director of the Guarantor in March 2011. From 1992 to 2007, Mr. Liu worked for Morgan Stanley group of companies and once served as a member of the Management Committee and Asia Executive Committee as well as a Managing Director in the Fixed Income Division in Hong Kong. In 2008, Mr. Liu established Shelter Cove Capital Limited (now known as Voras Capital Management (HK) Limited). Mr. Liu has 32 years of experience in the finance and securities industry.

Mr. Liu also serves as the independent non-executive director of Fortunet e-Commerce Group Limited (a company listed on the HKSE) and the managing director of asset management department at Cinda International Holdings Limited (a company listed on the HKSE).

Mr. Liu obtained a bachelor's degree in science from Peking University and a degree of Master of Science in physics from Massachusetts Institute of Technology.

Mr. YIP Wai Ming (葉偉明), aged 56, was appointed as an independent non-executive director of the Guarantor in March 2011. Mr. Yip graduated from the University of Hong Kong (香港大學) with a bachelor of social sciences degree in November 1987. He also obtained a degree of bachelor of laws from the University of London (倫敦大學) in August 2001. Mr. Yip started his career in Ernst & Young in 1987, and was a senior manager at the time of his departure in 1996. From 1996 to 2010, Mr. Yip served as an associate director in ING Bank N.V., the chief financial officer in Fulbond Holdings Limited (福邦控股有限公司), the vice president of Hi Sun Technology (China) Limited (高陽科技(中國)有限公司) (a company listed on the HKSE), the chief financial officer of Haier Electronics Group Co., Ltd. (海爾電器集團有限公司) (a company listed on the HKSE) and the deputy general manager of Yuzhou Properties Company Limited (禹州地產股份有限公司) (a company listed on the HKSE), respectively. Currently, Mr. Yip is an independent non-executive director of Ju Teng International Holdings Limited (巨騰國際控股有限公司) (a company listed on the HKSE), Pax Global Technology Limited (百富環球科技有限公司) (a company listed on the HKSE), Poly Culture Group Corporation Limited (保利文化集團股份有限公司) (a company listed on the HKSE), Yida China Holdings Limited (億達中國控股有限公司) (a company listed on the HKSE), Huobi Technology Holdings Limited (火幣科技控股有限公司) (a company listed on the HKSE) and Peijia Medical Limited (沛嘉醫療有限公司) (a company listed on the HKSE).

Mr. Yip is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and a member of the Chinese Institute of Certified Public Accountants.

Mr. Yip has over 30 years of experience in accounting and finance.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, the entities or individuals who had an interest or short positions in the shares and underlying shares of the Guarantor as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (the “SFO”) were as follows:

Name of shareholder	Capacity/nature of interest	Number of ordinary Shares ⁽¹⁾	Approximate percentage of interest (per cent)
Sinochem Capital Investment Management (Hong Kong) Limited ⁽²⁾	Beneficial owner	919,914,440 (L)	23.12
Sinochem Capital Investment Management Limited ⁽²⁾	Interest in a controlled corporation	919,914,440 (L)	23.12
Sinochem Corporation ⁽²⁾	Interest in a controlled corporation	919,914,440 (L)	23.12
Sinochem Group Co., Ltd ⁽²⁾	Interest in a controlled corporation	919,914,440 (L)	23.12
The State-owned Assets Supervision and Administration Commission of the State Council ⁽²⁾	Interest in a controlled corporation	919,914,440 (L)	23.12
KONG Fanxing	Beneficial owner	51,073,843(L) ⁽³⁾	1.28
	Interest in a controlled corporation	728,081,062(L) ⁽⁴⁾	18.30
Idea Prosperous Limited	Entrusted to exercise voting rights	728,081,062(L)	18.30
JPMorgan Chase & Co.	Interest in a controlled corporation	64,630,351(L) 38,457,324(S)	1.62 0.96
	Person having a security interest in shares	5,518,579(L)	0.13
	Approved lending agent	348,879,682(P)	8.77
Cathay Financial Holding Co., Ltd.	Beneficial owner	326,407,000 (L)	8.20
Aim Future Limited ⁽⁵⁾	Interest in a controlled corporation	307,899,000 (L)	7.74
Gold Stone Enterprise Limited ⁽⁵⁾	Interest in a controlled corporation	307,899,000 (L)	7.74
Cantrust (Far East) Limited ⁽⁵⁾	Trustee	307,899,000 (L)	7.74
UBS Group AG	Interest in a controlled corporation	398,058,664 (L)	10.00
Sunshine Trust Company Limited	Trustee	217,537,062(L)	5.46
LIU Haifeng David.	Interest in a controlled corporation	415,155,100 (L) ⁽⁷⁾	10.43
Capital Rise Limited ⁽⁷⁾	Beneficial owner	332,033,100 (L)	8.34
Capital Bridge Limited ⁽⁷⁾	Interest in a controlled corporation	382,033,100 (L)	9.60
	Beneficial owner	32,055,000 (L)	0.80
DCP Capital Partners, L.P. ⁽⁷⁾	Interest in a controlled corporation	414,088,100 (L)	10.41
DCP General Partner, Ltd ⁽⁷⁾	Interest in a controlled corporation	414,088,100 (L)	10.41
DCP, Ltd. ⁽⁷⁾	Interest in a controlled corporation	414,088,100 (L)	10.41
Julian Juul WOLHARDT ⁽⁷⁾	Interest in a controlled corporation	414,088,100 (L)	10.41

As at 31 December 2020, the interests or short positions of the directors and chief executives of the Guarantor in the shares, underlying shares and debentures of the Guarantor and any of its associated corporations which were notified to the Guarantor and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), to be notified to the Guarantor and the Hong Kong Stock Exchange, were detailed as follows:

<u>Name of shareholder</u>	<u>Name of corporation</u>	<u>Capacity/nature of interest</u>	<u>Total number of ordinary shares⁽¹⁾</u>	<u>Approximate percentage of interest in the Guarantor (per cent)</u>
KONG Fanxing	The Guarantor	Beneficial owner	51,073,843(L) ⁽³⁾	1.28
		Interest in a controlled corporation	728,081,062(L) ⁽⁴⁾	18.30
WANG Mingzhe	The Guarantor	Beneficial owner	17,563,775(L) ⁽⁸⁾	0.44
LIU Haifeng David	The Guarantor	Interest in a controlled corporation	415,155,100 (L) ⁽⁷⁾	10.43
LIU Jialin	The Guarantor	Beneficial owner	125,000 (L)	0.00
		Interest of spouse	125,000 (L)	0.00

Notes:

- (1) The letter “L” denotes the person’s long position in the shares of the Guarantor. The letter “S” denotes the person’s short position in the shares of the Guarantor. The letter “P” denotes the person’s shares of the Guarantor by approved lending agent.
- (2) Sinochem Capital Investment Management (Hong Kong) Limited is 100 per cent. controlled by Sinochem Capital Investment Management Limited, which is 100 per cent. controlled by Sinochem Corporation, which is in turn controlled as to 98 per cent. by Sinochem Group Co., Ltd. Sinochem Group Co., Ltd is 100 per cent. controlled by the State-owned Assets Supervision and Administration Commission of the State Council.
- (3) The interest includes 13,169,599 underlying shares in respect of the share options granted pursuant to the Guarantor’s 2014 Share Option Scheme, 6,911,937 underlying shares in respect of the share options granted pursuant to the Guarantor’s 2019 Share Option Scheme and 30,122,307 underlying shares in respect of the awarded shares granted pursuant to the Guarantor’s 2014 Restricted Share Award Scheme. In addition to the share interest in respect of the share options and awarded shares granted, to the best of the directors’ knowledge, information and belief, having made all reasonable enquiries, Mr. Kong Fanxing is interested in 870,000 ordinary shares of the Company as at 31 December 2020.
- (4) The interest includes 40,726,000 shares held directly by Powerful Force HK Limited, 159,670,000 shares held directly by Will of Heaven HK Limited, 107,503,000 shares held directly by Swallow Gird HK Limited, 197,945,000 shares held directly by Energon HK Limited, and 222,237,062 shares held directly by Idea Delicacy Limited. All of them had unconditionally, irrevocably and permanently entrusted Idea Prosperous Limited, a company 100 per cent. owned by Mr. Kong Fanxing, to exercise the voting rights attached to the shares.
- (5) The interest is held directly by Will of Heaven HK Limited, Swallow Gird HK Limited and Powerful Force HK Limited. Will of Heaven HK Limited, Swallow Gird HK Limited and Powerful Force HK Limited are 100 per cent. controlled by Aim Future Limited, which is in turn 100 per cent. controlled by Gold Stone Enterprise Limited. Cantrust (Far East) Limited is the trustee of The Gold Stone I Trust, and holds 100 per cent. interest in Gold Stone Enterprise Limited.
- (6) The interest is held directly by Idea Delicacy Limited, which is 100 per cent. controlled by Sunshine Trust Company Limited, trustee of Sunshine Trust Company Limited-Fortune Investment Fund.
- (7) The interests include: (1) 1,067,000 ordinary shares of the Guarantor held directly by New Trace Limited which is 100 per cent. controlled by Mr. Liu Haifeng David; (2) 32,055,000 ordinary shares of the Guarantor held directly by Capital Bridge Limited; (3) 332,033,100 ordinary shares of the Guarantor held directly by Capital Rise Limited; and (4) 50,000,000 ordinary shares of the Guarantor held directly by Capital Lead Limited. Capital Bridge Limited holds the entire share capital of Capital Rise Limited and Capital Lead Limited respectively. Capital Bridge Limited is 100 per cent. controlled by DCP Capital Partners, L.P., which is 100 per cent. controlled by DCP General Partner, Ltd, which in turn is 100 per cent. controlled by DCP Partners Limited. DCP Partners Limited is 100 per cent. controlled by DCP, Ltd., which is 50 per cent. controlled by Mr. Julian Juul Wolhardt and 50 per cent. controlled by Mr. Liu Haifeng David.
- (8) The interest includes 4,220,264 underlying shares in respect of the share options granted pursuant to the Guarantor’s 2014 Share Option Scheme, 2,610,846 underlying shares in respect of the share options granted pursuant to the Guarantor’s 2019 Share Option Scheme and 10,346,665 underlying shares in respect of the awarded shares granted pursuant to the Guarantor’s 2014 Restricted Share Award Scheme. In addition to the share interest in respect of the share options and awarded shares granted, to the best of the directors’ knowledge, information and belief, having made all reasonable enquiries, Mr. Wang Mingzhe is interested in 386,000 ordinary shares of the Guarantor as at 31 December 2020.

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Guarantor had not been notified by any person of any interest or short position in the Shares or underlying Shares of the Guarantor as at 31 December 2020.

DIVIDENDS

Subject to the laws of the Hong Kong and the Articles of Association of the Guarantor, the Guarantor may distribute dividends to shareholders out of the profits of the Guarantor, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. Generally the share premium account and retained profits of the Guarantor would be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Guarantor is able to pay its debts as they fall due in the ordinary course of business. The Guarantor may distribute dividends in any currency to be paid to the shareholders. Under favourable circumstances, the Guarantor may distribute interim dividends in cash as appear to the Board to be justified by the profits of the Guarantor. Pursuant to the Articles of Association, any dividend unclaimed after a period of one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Guarantor until claimed. Any dividend unclaimed after a period of six years from the date of declaration shall be forfeited by the board of directors of the Guarantor and shall revert to the Guarantor.

The table below sets out certain statistics on ordinary dividends paid on Shares since 2017:

Year ended 31 December	Interim dividend per share	Final dividend per share	Special dividend per share	Total dividend per share	Interim dividend	Final dividend	Special dividend	Total dividend
	(HK cent)	(HK cent)	(HK cent)	(HK cent)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
2020	-	36	-	36	-	1,163,788	-	1,163,788
2019	-	33	-	33	-	1,121,968	-	1,121,968
2018	-	30	-	30	-	1,010,551	-	1,010,551
2017	-	30	-	30	-	963,480	-	963,480

TERMS AND CONDITIONS OF THE BONDS

The following (subject to modification and other than the words in italics) is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the U.S.\$250,000,000 in aggregate principal amount of zero coupon guaranteed convertible bonds due 2026 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 15 (*Further Issues*) and consolidated and forming a single series therewith) of Universe Trek Limited 星旅有限公司 (the “**Issuer**”) was authorised by written resolutions of the board of directors of the Issuer dated 27 May 2021 and the guarantee of the Bonds and the right of conversion into Shares was authorised by resolutions of a meeting of the board of directors of Far East Horizon Limited (the “**Guarantor**”) passed on 30 March 2021. The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated on or about 15 June 2021 (the “**Issue Date**”) made between the Issuer, the Guarantor and The Hongkong and Shanghai Banking Corporation Limited (the “**Trustee**”, which expression shall include all persons for the time acting as trustee or trustees under the Trust Deed) as trustee for the Holders (as defined below) of the Bonds. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Issuer has entered into a paying, conversion and transfer agency agreement dated 15 June 2021 (as amended and/or supplemented from time to time, the “**Agency Agreement**”) relating to the Bonds made between the Issuer, the Guarantor, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as principal paying agent and principal conversion agent (collectively in those capacities, the “**Principal Agent**”), as registrar (in such capacity, the “**Registrar**”) and as transfer agent (in such capacity, the “**Transfer Agent**”) and the other paying agents, conversion agents and transfer agents appointed under it (each a “**Paying Agent**”, a “**Conversion Agent**” or, as the case may be, a “**Transfer Agent**” and together with the Registrar, the Transfer Agent and the Principal Agent, the “**Agents**”) relating to the Bonds. References to each of the “**Paying Agents**” and the “**Conversion Agents**” includes the Principal Agent, and references to the “**Principal Agent**”, the “**Transfer Agent**”, the “**Registrar**” and the “**Agents**” below are references to the principal agent, the transfer agent, the registrar and the agents for the time being for the Bonds. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed.

Copies of the Trust Deed and the Agency Agreement are available for inspection, or electronically by written request to hkcorporate.trust.queries@hsbc.com.hk, by the Bondholders (as defined below) during usual business hours (being between 9.00 a.m. and 3.00 p.m., Hong Kong time, Monday to Friday other than public holidays) at the principal office for the time being of the Trustee (being at the Issue Date at Level 24, HSBC Main Building, 1 Queen’s Road Central, Hong Kong) and at the specified office for the time being of the Principal Agent following prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Agent. The Bondholders are entitled to the benefit of and are bound by all provisions of the Trust Deed and are deemed to have notice of (i) all the provisions of the Trust Deed and (ii) all those provisions of the Agency Agreement applicable to them.

1. Form and Denomination

The Bonds are in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorised Denomination**”).

2. Status and Guarantee

- (a) *Status*: The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves. The payment obligations of the Issuer under the Bonds and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of their respective other present and future unsecured and unsubordinated obligations.
- (b) *Guarantee*: The due payment of all sums expressed to be payable by the Issuer and the due performance by the Issuer of its obligations under the Trust Deed and the Bonds have been unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor in that respect (the “**Guarantee**”) are contained in the Trust Deed.

*Upon issue, the Bonds will be evidenced by a global bond certificate (the “**Global Bond Certificate**”) substantially in the form scheduled to the Trust Deed. The Global Bond Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream, and will be exchangeable for individual Bond Certificates only in the circumstances set out therein.*

3. Register, Title and Transfers

- (a) *Register:* The Registrar will maintain a register (the “**Register**”) in respect of the Bonds outside the United Kingdom in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Bondholder**” shall be construed accordingly. A certificate (each, a “**Bond Certificate**”) will be issued to each Bondholder in respect of its registered holding. Each Bond Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title:* The Holder of each Bond shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Bond Certificate relating thereto (other than a duly executed form of transfer) or any notice of any previous loss or theft of such Bond Certificate) and no person shall be liable for so treating such Holder.
- (c) *Transfers:* Subject to Conditions 3(f) (*Closed periods*) and 3(g) (*Regulations concerning transfers and registration*) below, a Bond may be transferred upon surrender of the relevant Bond Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title and identity of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however*, that a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. Where not all the Bonds represented by the surrendered Bond Certificate are the subject of the transfer, a new Bond Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Bond Certificate will be effected in accordance with the rules and procedures of the relevant clearing systems.

- (d) *Registration and delivery of Bond Certificates:* Within seven business days of the surrender of a Bond Certificate in accordance with Condition 3(c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Bond Certificate of a like principal amount to the Bonds transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request, expense and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this Condition 3(d) (*Registration and delivery of Bond Certificates*), “**business day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (e) *No charge:* The transfer of a Bond will be effected without charge to the relevant Holder by or on behalf of the Issuer, the Registrar or any Transfer Agent but (i) against such indemnity, security and/or pre-funding as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax, duty or other governmental charge of whatsoever nature which may be levied or imposed in connection with such transfer or issuance; and (ii) subject to the Registrar or (as the case may be) the relevant Transfer Agent being satisfied in its discretion with the documents of title and identity of the person making the application and that Condition 3(g) (*Regulations concerning transfers and registration*) has been complied with.

- (f) *Closed periods*: No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the dates for payment of any principal pursuant to these Conditions; (ii) after a Conversion Notice (as defined in Condition 6(b)(i) (*Conversion Procedure*)) has been delivered by such Bondholder with respect to a Bond; (iii) after a Relevant Event Redemption Notice (as defined in Condition 8(e) (*Redemption for Relevant Event*)) has been deposited by such Bondholder in respect of such Bond pursuant to Condition 8(e) (*Redemption for Relevant Event*) or after a put notice has been deposited in respect of such Bond pursuant to Condition 8(d) (*Redemption at the Option of the Bondholders*); and (iv) during the period of seven days ending on (and including) any date of redemption pursuant to Conditions 8(b) (*Redemption for Taxation Reasons*) and 8(c) (*Redemption at the Option of the Issuer*). Each such period is a “**Closed Period**”.
- (g) *Regulations concerning transfers and registration*: All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee, and by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Bondholder following prior written request and proof of holding and identity satisfactory to the Registrar.

4. Covenants

- (a) *Negative Pledge*: For so long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and the Issuer and the Guarantor will ensure that none of their respective Subsidiaries (as defined below) will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to such Bond the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution of the Bondholders.
- (b) *Notification to NDRC*: The Guarantor will provide or cause to be provided a notification of the requisite information and documents to the NDRC within the prescribed timeframe after the Issue Date in accordance with the NDRC Circular (the “**NDRC Post-issue Registration**”), and the Issuer undertakes to, and the Guarantor shall procure that the Issuer will, give notice to the Bondholders in accordance with Condition 16 (*Notices*) (with a copy to the Trustee) confirming submission of the NDRC Post-issue Registration as soon as practicable following the NDRC Post-issue Registration.

The Trustee shall have no obligation to monitor and ensure the submission or completion of the NDRC Post-issue Registration, whether on or before the deadline referred to above or otherwise, or to verify the accuracy, validity and/or genuineness of or to translate or procure the translation into English of any documents in relation to or in connection with the NDRC Post-issue Registration or to give notice to the Bondholders confirming the submission or completion of the NDRC Post-issue Registration. The Trustee shall not be liable to the Issuer, the Guarantor, the Bondholders or any other person for not doing so.

In these Conditions:

“**NDRC**” means the National Development and Reform Commission of the People’s Republic of China or its local counterparts;

“**NDRC Circular**” means the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015, and other applicable implementation rules, regulations, certificates, circulars, notices or policies thereof as issued by the NDRC from time to time;

“**Relevant Indebtedness**” means any indebtedness incurred outside of the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended by the Issuer or the Guarantor to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and

“**Subsidiary**” means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Guarantor.

5. Default Interest

The Bonds do not bear interest.

However, if the Issuer fails to pay any sum in respect of the Bonds when the same becomes due and payable under these Conditions, interest shall accrue on such overdue sum at the rate of 4.00 per cent. per annum (both before and after judgment) from the date of default until the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder and (ii) the day falling seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholders under these Conditions).

Such default interest shall accrue on the basis of a 360-day year of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

6. Conversion

(a) *Conversion Right*

- (i) *Conversion Period*: Subject as provided in these Conditions, each Bond shall entitle the Holder to convert such Bond into Shares (as defined in Condition 6(a)(v) (*Meaning of “Shares”*)) credited as fully paid at any time during the Conversion Period referred to below (the “**Conversion Right**”). Subject to and upon compliance with these Conditions, the Conversion Right attaching to any Bond may be exercised, at the option of the Holder thereof, at any time on or after 26 July 2021 up to and including 3:00 p.m. (at the place where the Certificate evidencing such Bond is deposited for conversion) on the 10th day prior to the Maturity Date (as defined in Condition 8(a) (*Maturity*)) (both days inclusive), except as provided in Condition 6(a)(iv) (*Revival and/or Survival after Default*), in no event thereafter or, if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to and including 3:00 p.m. (at the place aforesaid) on a date no later than 15 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the Holder of such Bond pursuant to Condition 8(d) (*Redemption at the Option of the Bondholders*) or Condition 8(e) (*Redemption for Relevant Event*) then up to and including 3:00 p.m. (at the place aforesaid) on the day prior to the giving of such notice (the “**Conversion Period**”).

Notwithstanding the foregoing, if the Conversion Date in respect of a Bond would otherwise fall during a period in which the register of shareholders of the Guarantor is closed generally or for the purpose of establishing entitlement to any distribution or other rights attaching to the Shares (a “**Book Closure Period**”), such Conversion Date shall be postponed to the first Stock Exchange Business Day (as defined in Condition 6(b)(i) (*Conversion Notice*)) following the expiry of such Book Closure Period.

If the Conversion Date in respect of the exercise of any Conversion Right is postponed as a result of the foregoing provision to a date that falls after the expiry of the Conversion Period or after the relevant redemption date, such Conversion Date shall be deemed to be the final day of such Conversion Period or the relevant redemption date, as the case may be.

The number of Shares issuable upon conversion of any Bond shall be determined by dividing the principal amount of the Bond to be converted translated into Hong Kong dollars at the fixed rate of HK\$7.7614 = U.S.\$1.00 (the “**Fixed Exchange Rate**”) by the Conversion Price in effect on the relevant Conversion Date (as defined below). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same Holder is converted at any one time by the same Holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

- (ii) *Fractions of Shares*: Fractions of Shares will not be issued on conversion and no cash payment or other adjustments will be made in lieu thereof. However, if a Conversion Right in respect of more than one Bond is exercised at any one time such that Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 27 May 2021 which reduces the number of Shares outstanding, the Issuer (failing which, the Guarantor) will upon conversion of Bonds pay in cash (in U.S. dollars by a transfer to an U.S. dollar account maintained by the payee with, a bank in New York City, in accordance with the instructions given by the relevant Bondholder in the relevant Conversion Notice) a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(a)(i) (*Conversion Period*), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds U.S.\$10.00. Any such sum shall be paid not later than five Stock Exchange Business Days (as defined in Condition 6(b)(i) (*Conversion Notice*)) after the relevant Conversion Date.
- (iii) *Conversion Price and Conversion Ratio*: The price at which Shares will be issued upon conversion (the “**Conversion Price**”) will initially be HK\$10.20 per Share, but will be subject to adjustment in the manner provided in Condition 6(c) (*Adjustments to Conversion Price*). For the purposes of these Conditions, “**Conversion Ratio**” means the principal amount of each Bond divided by the applicable Conversion Price (translated into U.S. dollars at the Fixed Exchange Rate).
- (iv) *Revival and/or Survival after Default*: Notwithstanding the provisions of Condition 6(a)(i) (*Conversion Period*), if (A) the Issuer or the Guarantor shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof, (B) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10 (*Events of Default*), or (C) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(a) (*Maturity*) or the applicable date for redemption in accordance with Condition 8 (*Redemption and Purchase*), the Conversion Rights attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders and, notwithstanding the provisions of Condition 6(a)(i) (*Conversion Period*), any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.
- (v) *Meaning of “Shares”*: As used in these Conditions, the expression “**Shares**” means ordinary shares of the Guarantor or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Guarantor. (ISIN: HK0000077468).

(b) Conversion Procedure

- (i) *Conversion Notice*: To exercise any Conversion Right attaching to any Bond, the Holder thereof must complete, execute and deposit at his own expense during the usual office hours (being 9:00 a.m. to 3:00 p.m., Monday to Friday on which commercial banks are generally open for business in the city of the Conversion Agent) in the city where the Specified Office of the relevant Conversion Agent a notice of conversion (a “**Conversion Notice**”) in the form (for the time being current) obtainable from the Specified Office of any Conversion Agent, together with the relevant Certificate and confirmation that any amounts required to be paid by the Bondholder under Condition 6(b)(ii) (*Stamp Duty etc.*) have been so paid or, if notice requiring redemption has been given by the Holder of such Bond pursuant to Condition 8(d) (*Redemption at the Option of the Bondholders*) or Condition 8(e) (*Redemption for Relevant Event*), then up to 3:00 p.m. (at the place aforesaid) on the day prior to the giving of such notice. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the Specified Office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

The conversion date in respect of a Bond (the “**Conversion Date**”) must fall at a time when a Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(a)(iv) (*Revival and/or Survival after Default*)) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice to the relevant Conversion Agent and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice deposited outside the hours specified above or on a day which is not a business day at the place of the Specified Office of the relevant Conversion Agent shall for all purposes be deemed to have been deposited with that Conversion Agent during the hours specified above on the next business day following such day. Any Bondholder who deposits a Conversion Notice during a Closed Period will not be permitted to convert the Bonds into Shares (as specified in the Conversion Notice) until the next business day after the end of the Closed Period, which (if all other conditions to the exchange have been fulfilled) will be the Conversion Date for such Bonds *provided that* such date did not fall outside the Conversion Period. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal or the Guarantor fails to deliver Shares in accordance with these Conditions. “**Stock Exchange Business Day**” means any day (other than a Saturday or Sunday) on which The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) or the Alternative Stock Exchange (as defined in Condition 6(c) (*Adjustments to Conversion Price*) below), as the case may be, is open for the business of dealing in securities.

- (ii) *Stamp Duty etc.*: A Bondholder delivering a Certificate in respect of a Bond for conversion must pay directly to the relevant authorities (A) any taxes and capital, stamp, issue, documentary and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in the British Virgin Islands and Hong Kong and, if relevant, in the place of the Alternative Stock Exchange by the Issuer and the Guarantor in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange on conversion) and (B) all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion (together in this Condition 6(b)(ii) (*Stamp Duty etc.*), the “**Taxes**”). The Issuer (failing which, the Guarantor) will pay all other expenses arising on the issue of Shares on conversion of Bonds. The Bondholder must declare in the relevant Conversion Notice that any Taxes payable to the relevant tax authorities pursuant to this Condition 6(b)(ii) (*Stamp Duty etc.*) have been paid. Neither the Trustee nor any Agent is under any obligation to determine whether a Bondholder is liable to pay or has paid any taxes (including capital, stamp, issue, registration or similar taxes and duties) or the amounts payable (if any) in connection with this Condition 6(b)(ii) (*Stamp Duty etc.*) or to determine the amount of such taxes and duties.

- (iii) *Registration*: As soon as practicable, and in any event not later than five Stock Exchange Business Days after the Conversion Date, the Guarantor will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and amounts payable by the relevant Bondholder as required by Conditions 6(b)(i) (*Conversion Notice*) and 6(b)(ii) (*Stamp Duty etc.*) have been paid, (A) register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Guarantor's share register and (B) (x) if the Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong (the "CCASS") effective from time to time, take all necessary action to procure that Shares are delivered through the CCASS for so long as the Shares are listed on the Hong Kong Stock Exchange; or (y) make such certificate or certificates available for collection at the office of the Guarantor's share registrar in Hong Kong (being, at the time of issue of the Bonds, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) notified to Bondholders in accordance with Condition 16 (*Notices*) or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

If the Conversion Date in relation to any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event that gives rise to the adjustment of the Conversion Price pursuant to Condition 6(c) (*Adjustments to Conversion Price*) but before the relevant adjustment becomes effective under the relevant Condition, upon the relevant adjustment becoming effective, the Guarantor shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares as is, together with Shares to be issued on conversion of the Bonds, equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date.

The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Guarantor's register of members (the "**Registration Date**"). The Shares issued upon conversion of the Bonds will be fully-paid and in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of the Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this Condition 6(b)(iii) prior to the time such retroactive adjustment shall have become effective), the Issuer will calculate and pay to the converting Bondholder or his designee an amount in U.S. dollars (the "**Equivalent Amount**") equal to the Fair Market Value converted into U.S. dollars at the Prevailing Rate of the date on which such dividend or other distribution is paid or made of such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by transfer to a U.S. dollar account maintained by the payee with a bank, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

(c) *Adjustments to Conversion Price*

Upon the occurrence of any of the following events described below, the Conversion Price will be adjusted as follows:

- (i) *Consolidation, Subdivision or Reclassification*: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal value of one Share immediately after such alteration; and

B is the nominal value of one Share immediately before such alteration.

Such adjustment shall become effective on the date such consolidation, subdivision or reclassification takes effect.

- (ii) *Capitalisation of Profits or Reserves*:

- (A) If and whenever the Guarantor shall issue any Shares credited as fully paid to the holders of the Shares (the “**Shareholders**”) by way of capitalisation of profits or reserves including Shares paid up out of distributable profits or reserves and/or share premium account issued, save where Shares are issued in lieu of the whole or any part of a specifically declared cash dividend (the “**Relevant Cash Dividend**”), being a dividend which the Shareholders concerned would or could otherwise have received (a “**Scrip Dividend**”) and which would not have constituted a Distribution (as defined in this Condition 6(c) (*Adjustments to Conversion Price*)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if the number of such Shares is fixed on announcement and a record date is fixed therefor, immediately after such record date.

- (B) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares on the date of announcement of the terms of such issue exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such Scrip Dividend;

B the aggregate number of Shares which the Relevant Cash Dividend would purchase at such Current Market Price; and

C is the aggregate number of Shares issued pursuant to such Scrip Dividend;

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(iii) *Capital Distributions:*

(A) If and whenever the Guarantor shall pay or make any Distribution to the Shareholders other than in cash only (except to the extent that the Conversion Price falls to be adjusted under Condition 6(c)(ii)(B) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the Effective Date; and

B is the Fair Market Value attributable to one Share.

Such adjustment shall become effective on the first date that such Distribution is actually made or, if later, the first date upon which the Fair Market Value of the Distribution is capable of being determined as provided in these Conditions. For the purposes of the above, Fair Market Value shall (subject as provided in the definition of "Fair Market Value") be determined as at the Effective Date, or if later, the first date on which the Fair Market Value of the relevant Distribution is capable of being determined as provided herein.

(B) If and whenever the Guarantor shall pay or make any Distribution in cash only to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the Effective Date; and

B is the amount of cash so distributed attributable to one Share.

Such adjustment shall become effective on the first date that such Distribution is actually made.

(iv) *Rights Issues of Shares or Options over Shares:* If and whenever the Guarantor shall issue Shares to all or substantially all Shareholders as a class by way of rights issue, or issue or grant to all or substantially all Shareholders as a class, by way of rights issue, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the Trading Day of the date of announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights issue or for the options or warrants or other rights issued or granted by way of rights issue and for the total number of Shares comprised therein would subscribe, purchase or otherwise acquire at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

- (v) *Rights Issues of Other Securities*: If and whenever the Guarantor shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares) to all or substantially all Shareholders as a class, by way of rights issue, or the grant to all or substantially all Shareholders as a class by way of rights issue, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{C}$$

where:

- A is the Current Market Price of one Share on the Trading Day of the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

- (vi) *Issues at less than Current Market Price*: If and whenever the Guarantor shall issue (other than as mentioned in Condition 6(c)(iv) (*Rights Issues of Shares or Options over Shares*) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in Condition 6(c)(iv) (*Rights Issues of Shares or Options over Shares*) above) options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue or grant by the Guarantor of options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

- (vii) *Other Issues at less than Current Market Price*: Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(c)(vii) (*Other Issues at less than Current Market Price*), if and whenever the Guarantor or any of its Subsidiaries (otherwise than as mentioned in Condition 6(c)(iv) (*Rights Issues of Shares or Options over Shares*), 6(c)(v) (*Rights Issues of Other Securities*) or 6(c)(vi) (*Issues at less than Current Market Price*)), or (at the direction or request of or pursuant to any arrangements with the Guarantor or any of its Subsidiaries) any other company, person or entity, shall issue wholly for cash any securities (other than the Bonds, excluding for this purpose any further bonds issued pursuant to Condition 15 (*Further Issues*)) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Guarantor upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price per Share on the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration (if any) receivable by the Guarantor for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

- (viii) *Modification of Rights of Conversion etc.*: If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(c)(vii) (*Other Issues at less than Current Market Price*) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price per Share on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is Current Market Price of one Share on the last Trading Day preceding the date on which such modification is announced; and
- B is the difference between the Fair Market Value of the modification on a per Share basis on the date of such announcement and the consideration received for the modification on a per Share basis of such modification.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (ix) *Other Offers to Shareholders*: If and whenever the Guarantor or any of its Subsidiaries issues, sells or distributes any securities in connection with which an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(c)(iv) (*Rights Issues of Shares or Options over Shares*), Condition 6(c)(v) (*Rights Issues of Other Securities*), Condition 6(c)(vi) (*Issues at less than Current Market Price*) or Condition 6(c)(vii) (*Other Issues at less than Current Market Price*)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the Trading Day of the date on which such issue, sale or distribution is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

- (x) *Determination by the Guarantor*: If the Guarantor determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances (whether or not referred to in Conditions 6(c)(i) (*Consolidation, Subdivision or Reclassification*) to 6(c)(ix) (*Other Offers to Shareholders*) above) (even if the relevant event or circumstance is specifically excluded in these Conditions from the operation of Conditions 6(c)(i) (*Consolidation, Subdivision or Reclassification*) to 6(c)(ix) (*Other Offers to Shareholders*) above), or that an adjustment should not be made (even if the relevant event or circumstance is specifically provided for in Conditions 6(c)(i) (*Consolidation, Subdivision or Reclassification*) to 6(c)(ix) (*Other Offers to*

Shareholders) above), or that the effective date for the relevant adjustment should be a date other than that mentioned in Conditions 6(c)(i) (*Consolidation, Subdivision or Reclassification*) to 6(c)(ix) (*Other Offers to Shareholders*) above, the Issuer or the Guarantor may, at its own expense, request an Independent Financial Advisor, acting as expert, to determine as soon as practicable (A) what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereto and is appropriate to give the result which the Independent Financial Advisor considers in good faith to reflect the intentions of the provisions of this Condition 6(c) (*Adjustments to Conversion Price*); and (B) the date on which such adjustment should take effect; and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination; *provided that* where the events or circumstances giving rise to any adjustment pursuant to this Condition 6(c) (*Adjustments to Conversion Price*) have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6(c) (*Adjustments to Conversion Price*) as may be advised by the Independent Financial Advisor to be in its opinion appropriate to give the intended result.

For the purposes of these Conditions:

“**Alternative Stock Exchange**” means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;

“**Closing Price**” for the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet;

“**Current Market Price**” means, in respect of a Share on a particular date, the average of the Closing Price quoted by the Hong Kong Stock Exchange or, as the case may be, by the Alternative Stock Exchange for one Share (being a Share carrying full entitlement to dividend) for the 20 consecutive Trading Days ending on the Trading Day immediately preceding such date; *provided that* if at any time during the said 20 Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (a) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the Closing Price thereof reduced by an amount equal to the Fair Market Value amount of that dividend per Share; or
- (b) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the Closing Price thereof increased by the Fair Market Value amount of that dividend per Share;

and *provided further that* if the Shares on each of the said 20 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the Closing Price on each shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share;

“**Daily Quotation Sheet**” means the daily quotation sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange;

“**Distribution**” means any dividend or distribution, whether of cash or assets in specie or other property by the Guarantor for any financial period, and whenever paid or made and however described or declared after the Issue Date, (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or

partly paid (other than Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(c)(ii)(A) (*Capitalisation of Profits or Reserves*)) by way of capitalisation of reserves and including any Scrip Dividend to the extent of the Relevant Cash Dividend) unless it comprises a purchase or redemption of Shares by or on behalf of the Guarantor (or a purchase of Shares by or on behalf of a Subsidiary of the Guarantor), where the weighted average price (before expenses) on any one day in respect of such purchase does not exceed 105 per cent. of the Current Market Price of the Shares as published in the Daily Quotation Sheet, as the case may be, either (a) on that date, or (b) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (a) or (b), the relevant day is not a Trading Day, the immediately preceding Trading Day;

“**Effective Date**” means, in respect of Condition 6(c)(iii) (*Capital Distributions*), the first date on which the Shares are traded ex-the relevant Distribution on the Hong Kong Stock Exchange or, as the case may be, the Alternative Stock Exchange or, in the case of a purchase or redemption of Shares, the date on which the purchase or redemption is made;

“**Fair Market Value**” means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Financial Advisor; *provided that* (a) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; and (b) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Independent Financial Advisor) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five Trading Days on the relevant market commencing on the first such Trading Day such options, warrants or other rights are publicly traded;

“**Independent Financial Advisor**” means an independent investment bank or licensed financial advisor or institution of international repute, acting as an expert, selected and appointed by the Issuer or the Guarantor at its own cost;

“**Prevailing Rate**” means, in respect of any currency on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined;

“**Relevant Page**” means the relevant page on Bloomberg or, if there is no such page, on Reuters or such other information service provider that displays the relevant information; and

“**Trading Day**” means a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange is open for dealing business, *provided that* if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days.

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given by the Issuer to the Bondholders in accordance with Condition 16 (*Notices*) and in writing to the Trustee and the Principal Agent as soon as practicable after the determination thereof.

The Conversion Price may not be reduced so that, on conversion of Bonds, Shares would be required to be issued in any circumstances not permitted by applicable laws then in force in Hong Kong.

Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Financial Advisor, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Financial Advisor to be in its opinion appropriate in order to give such intended result.

Notwithstanding any provision in Condition 6(c) (*Adjustments to Conversion Price*), no adjustment will be made to the Conversion Price, involving an increase in the Conversion Price, except in the case of a consolidation or re-classification of the Shares as referred to in Condition 6(c)(i) (*Consolidation, Subdivision or Reclassification*) above or where there has been a proven manifest error in the calculation of the Conversion Price.

Notwithstanding anything stated to the contrary elsewhere in these Conditions, no adjustment shall be made to the Conversion Price where Shares or other securities (including rights, warrants or options) are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of employees or former employees (including directors holding or formerly holding executive office) of the Guarantor or any Subsidiary or any associated company of the Guarantor pursuant to any employees' share scheme or plan where such scheme or plan is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Neither the Trustee nor the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation (or verification thereof) in connection with the Conversion Price and will not be responsible to any Bondholder for any loss or liability arising from any failure by them to do so. All adjustments to the Conversion Price under Condition 6(c) (*Adjustments to Conversion Price*) shall be determined by the Issuer, the Guarantor and, if applicable, the Independent Financial Advisor, and neither the Trustee nor the Agents shall be responsible for verifying, or otherwise be liable for, such determinations or for verifying any calculation, certification, advice or opinion in connection with such determinations.

- (d) **Adjustment upon Change of Control:** If a Change of Control (as defined in Condition 8(e) (*Redemption for Relevant Event*)) shall occur, the Issuer shall give notice of that fact to the Trustee and the Principal Agent and to the Bondholders (the “**Change of Control Notice**”) in accordance with Condition 16 (*Notices*) within seven days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within the period of 30 days following the later of (i) the relevant Change of Control and (ii) the date on which the Change of Control Notice is given to Bondholders (such period, the “**Change of Control Conversion Period**”), the Conversion Price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \frac{\text{OCP}}{(1 + (\text{CP} \times c/t))}$$

where:

“**NCP**” means the new Conversion Price.

“**OCP**” means the Conversion Price in effect on the relevant Conversion Date.

“**CP**” means 14.87 per cent. expressed as a fraction.

“**c**” means the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date.

“**t**” means the number of days from and including the Issue Date to but excluding the Maturity Date, provided that the Conversion Price shall not be reduced pursuant to this Condition 6(d) (*Adjustment upon Change of Control*) below the level permitted by applicable laws and regulations from time to time (if any).

If the last day of a Change of Control Conversion Period shall fall during a Closed Period, the Change of Control Conversion Period shall be extended such that its last day will be the 15th day following the last day of the Closed Period.

(e) Undertakings

The Guarantor has undertaken in the Trust Deed, inter alia, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders:

- (i) it will use all reasonable endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange, *provided that* if the Guarantor is unable to obtain or maintain such listing or if the maintenance of such listing is unduly onerous, it will use all reasonable endeavours to obtain and maintain a listing for all the issued Shares on such Alternative Stock Exchange as the Guarantor may from time to time select and notify to the Trustee and will forthwith give notice to the Bondholders in accordance with Condition 16 (*Notices*) of the listing or delisting of the Shares (as a class) by any of such stock exchanges;
- (ii) it will use all reasonable endeavours to maintain a listing for the Bonds on the Hong Kong Stock Exchange *provided that* if the Issuer is unable to obtain or maintain such listing having used its best endeavours or if the maintenance of such listing or trading is unduly burdensome or impractical, it will use all reasonable endeavours to obtain and maintain admission to listing, trading and/or quotation for the Bonds on an Alternative Stock Exchange as the Issuer may from time to time decide and notify to the Trustee and will forthwith give notice to the Bondholders in accordance with Condition 16 (*Notices*) of the listing or delisting of the Bonds by any of such stock exchanges; and
- (iii) it will pay the expenses of the issue of, and all expenses of obtaining listing for the Shares issued on the exercise of the Conversion Rights attaching to the Bonds and for the Bonds (save for any Taxes specified in Condition 6(b)(ii) (*Stamp Duty etc.*)).

In the Trust Deed, the Issuer has also undertaken with the Trustee that so long as any Bond remains outstanding:

- (A) it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; and
- (B) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the redemption or reduction is permitted by applicable law and results in (or would, but for the provisions of these Conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price in accordance with Condition 6 or is otherwise taken into account for the purposes of determining whether such an adjustment should be made,

provided always that the Guarantor shall not be prohibited from purchasing its Shares to the full extent permitted by law.

The Issuer and the Guarantor have also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

(f) Notice of Change in Conversion Price

The Issuer (failing which, the Guarantor) shall give notice to the Bondholders, the Trustee and the Principal Agent in accordance with Condition 16 (*Notices*) of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

7. Payments

(a) *Principal*

Payment of principal, Early Redemption Amount (as defined in Condition 8(c) (*Redemption at the Option of the Issuer*)), premium (if any) and default interest (if any) will be in U.S. dollars and will be made by transfer to the registered account of the Bondholder. Such payment will only be made after surrender of the relevant Certificate at the Specified Office of any of the Agents.

Notwithstanding the foregoing, so long as the Global Bond Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Bond Certificate will be made to the person shown as the Holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

(b) *Registered Accounts*

For the purposes of this Condition 7 (*Payments*), a Bondholder’s registered account means the U.S. dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the fifteenth day before the due date for payment, and a Bondholder’s registered address means its address appearing on the Register at that time.

(c) *Fiscal Laws*

All payments under the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*), and (ii) if applicable, any withholding or deduction 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, and any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(d) *Payment Initiation*

Payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the Specified Office of a Paying Agent.

(e) *Delay in Payment*

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day or if the Bondholder is late in surrendering its Certificate (if required to do so).

(f) *Business Day*

In this Condition 7 (*Payments*), “**business day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business (including dealings in foreign currencies) in New York City, London, Hong Kong and the city in which the Specified Office of the Principal Agent is located, in the case of the surrender of a Certificate to a Paying Agent, the city in which the Specified Office of the relevant Paying Agent is located. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

8. Redemption and Purchase

(a) *Maturity*

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at 110.46 per cent. of its principal amount on 15 June 2026 (the “**Maturity Date**”). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(b) (*Redemption for Taxation Reasons*) or 8(c) (*Redemption at the Option of the Issuer*) below (but without prejudice to Condition 10 (*Events of Default*)).

(b) *Redemption for Taxation Reasons*

- (i) The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable) and in writing to the Trustee and the Principal Agent, on the date specified in the Tax Redemption Notice for redemption (the “**Tax Redemption Date**”) at the Early Redemption Amount, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (A) the Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Tax Jurisdiction (as defined in Condition 9 (*Taxation*)), or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 27 May 2021, and (B) such obligation cannot be avoided by the Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it, *provided that* no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or, as the case may be, the Guarantor) would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

Prior to the publication of any Tax Redemption Notice pursuant to this Condition 8(b) (*Redemption for Taxation Reasons*), the Issuer (or, as the case may be, the Guarantor) shall deliver to the Trustee (I) a certificate signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer (or, as the case may be, the Guarantor) stating that the obligation referred to in (A) above cannot be avoided by the Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it and (II) an opinion of independent legal or tax advisors of recognised standing to the effect that the Issuer (or, as the case may be, the Guarantor) has or would become obligated to pay such additional amounts as a result of such change or amendment has occurred (irrespective of whether such amendment or change is then effective). The Trustee shall be entitled (but not obliged) to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence thereof, and in such event it shall be conclusive and binding on the Issuer, the Guarantor and the Bondholders. Upon the expiry of the Tax Redemption Notice, the Issuer will be bound to redeem the Bonds at the Early Redemption Amount.

- (ii) If the Issuer gives a Tax Redemption Notice pursuant to Condition 8(b)(i) (*Redemption for Taxation Reasons*), each Bondholder will have the right to elect that its Bond(s) shall not be redeemed and that the provisions of Condition 9 (*Taxation*) shall not apply in respect of any payment to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 9 (*Taxation*) and payment of all amounts shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to this Condition 8(b)(ii), the Holder of the relevant Bond must complete, sign and deposit at the Specified Office of any Paying Agent a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (the “**Tax Option Exercise Notice**”) together with the Certificate evidencing the Bonds on or before the day falling 10 days prior to the Tax Redemption Date. A Tax Option Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer’s consent.

(c) *Redemption at the Option of the Issuer*

On giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 16 (*Notices*) (which notice will be irrevocable) and in writing to the Trustee and the Principal Agent, the Issuer:

- (i) may at any time after 6 July 2024 and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at the Early Redemption Amount provided that the Closing Price of the Shares (derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange and translated into U.S. dollars at the Prevailing Rate) for each of 20 out of 30 consecutive Trading Days, the last of which occurs not more than 10 Trading Days prior to the date upon which notice of such redemption is published, was at least 125 per cent. of the applicable Early Redemption Amount for each Bond divided by the Conversion Ratio then in effect; or
- (ii) may at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at the Early Redemption Amount, *provided that* prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued (including any further bonds issued pursuant to Condition 15 (*Further Issues*) and consolidated and forming a single series with the Bonds) has already been converted, redeemed or purchased and cancelled.

If there shall occur an event giving rise to a change in the Conversion Price during any such 20 Trading Day period, appropriate adjustments for the relevant days shall be made, as determined by an Independent Financial Advisor, for the purpose of calculating the Closing Price for such days. Neither the Trustee nor the Agents shall be responsible for verifying, or otherwise liable for, such determinations or calculation of the Closing Price or for verifying any calculation, certification, advice or opinion in connection with such determinations or calculation.

Redemption under this Condition 8(c) (*Redemption at the Option of the Issuer*) may not occur within seven days of the end of a Closed Period but otherwise may occur when the Conversion Right is expressed in these Conditions to be exercisable.

For the purposes of these Conditions:

“**Early Redemption Amount**” of a Bond, for each U.S.\$200,000 principal amount of the Bonds, is the amount determined to represent for the Bondholder on the relevant date for determination of the Early Redemption Amount (the “**Determination Date**”) a gross yield of 2.00 per cent. per annum calculated on a semi-annual basis. The applicable Early Redemption Amount for each US\$200,000 principal amount of Bonds is calculated by the Issuer in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards (**provided that** if the relevant Determination Date is a Semi-annual Date (as set out below), such Early Redemption Amount shall be as set out in the table below in respect of such Semi-annual Date):

Early Redemption Amount = (Previous Redemption Amount x $(1+r/2)^{d/p}$)

Previous Redemption Amount = the Early Redemption Amount for each US\$200,000 principal amount of the Bonds on the Semi-annual Date immediately preceding the relevant Determination Date (or if the Bonds are to be redeemed prior to 15 December 2021, US\$200,000):

Semi-annual Date	Early Redemption Amount
	(US\$)
15 December 2021	202,000.00
15 June 2022	204,020.00
15 December 2022	206,060.20
15 June 2023	208,120.80
15 December 2023	210,202.01
15 June 2024	212,304.03
15 December 2024	214,427.07
15 June 2025	216,571.34
15 December 2025	218,737.05

r = 2.00% expressed as a fraction.

d = number of days from and including the immediately preceding Semi-annual Date (or if the Determination Date is before the first Semi-annual Date, from and including the Issue Date) to, but excluding, the Determination Date calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

p = 180.

(d) Redemption at the Option of the Bondholders

The Issuer will, at the option of the Holder of any Bond, redeem all or some only of such Holder's Bonds on 15 June 2024 (the "**Put Option Date**") at 106.15 per cent. of their principal amount. To exercise such option, the Holder must deposit at the Specified Office of any Paying Agent a duly completed and signed put notice in the form for the time being current, obtainable from the Specified Office of any Paying Agent, together with the Certificate evidencing the Bonds to be redeemed not more than 60 days and not less than 30 days prior to the Put Option Date.

A put notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of the put notices delivered as aforesaid on the Put Option Date.

(e) Redemption for Relevant Event

Following the occurrence of a Relevant Event (as defined below), the Holder of each Bond will have the right at such Holder's option, to require the Issuer to redeem all or some only (subject to the principal amount of such Holder's Bonds redeemed and the principal amount of the balance of such Holder's Bonds not redeemed being an Authorised Denomination) of such Holder's Bonds on the Relevant Event Redemption Date at the Early Redemption Amount. To exercise such right, the Holder of the relevant Bond must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent, specifying the number of Bonds to be redeemed and the Relevant Event that has occurred (a "**Relevant Event Redemption Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than (i) 30 days following a Relevant Event, or, if later, (ii) 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16 (*Notices*). The "**Relevant Event Redemption Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to in (i) and (ii) above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent and the Issuer shall redeem the Bonds which form the subject of the Relevant Event Redemption Notice as aforesaid on the Relevant Event Redemption Date. The Issuer shall give notice to Bondholders in accordance with Condition 16 (*Notices*) and to the Trustee and Principal Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Bonds pursuant to this Condition 8(e) (*Redemption for Relevant Event*) and shall give brief details of the Relevant Event.

None of the Trustee or the Agents shall be required to monitor or take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Issuer. The Trustee and the Agents shall not be required to take any steps to ascertain whether the condition for the exercise of the rights in accordance with Condition 8(e) (*Redemption for Relevant Event*) has occurred. None of the Trustee or the Agents shall be responsible for determining or verifying whether a Bond is to be accepted for redemption under this Condition 8(e) (*Redemption for Relevant Event*) and will not be responsible to Bondholders for any loss arising from any failure by it to do so. None of the Trustee or the Agents shall be under any duty to determine, calculate or verify the redemption amount payable under this Condition 8(e) (*Redemption for Relevant Event*) and will not be responsible to the Issuer, the Guarantor, any Bondholder or any other person for any loss or liability arising from any failure by it to do so.

For the purpose of this Condition 8(e) (*Redemption for Relevant Event*):

A "**Change of Control**" occurs when:

- (i) any Person or Persons other than the Permitted Holders (or Persons who are Controlled by the Permitted Holders) acting together acquires Control of the Guarantor if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Guarantor on the Issue Date;
- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in such other Person or Persons, other than the Permitted Holders (or Persons who are Controlled by the Permitted Holders), acquiring Control over the Issuer or the successor entity; or
- (iii) the Guarantor ceases to hold (directly or indirectly) 100 per cent. of the issued shares of the Issuer;

"**Control**" means (i) the right to appoint and/or remove all or the majority of the members of the relevant entity's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; or (ii) the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the relevant entity;

A "**Relevant Event**" occurs:

- (i) when the Shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange or are suspended for trading on the Hong Kong Stock Exchange for a period equal to or exceeding 30 consecutive Trading Days or, if applicable, the Alternative Stock Exchange (a "**Delisting**"); or
- (ii) when there is a Change of Control;

"**Permitted Holders**" mean Sinochem Group (a state-owned enterprise established in the PRC and formerly known as China National Chemicals Import & Export Corporation) and any Person or Persons Controlled by it; and

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

(f) Purchase

Each of the Issuer, the Guarantor or any of their respective Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any of its Subsidiaries, shall not entitle the Holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of, among other things, calculating quorums at meetings of the Bondholders or for the purposes of Conditions 10 (*Events of Default*), 13 (*Enforcement*) and 14(a) (*Meetings of Bondholders; Modification*).

(g) Cancellation

All Bonds which are redeemed or converted, or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

(h) Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 (*Redemption and Purchase*) will specify (i) the Conversion Price as at the date of the relevant notice, (ii) the Conversion Period, (iii) the Closing Price of the Shares as at the latest practicable date prior to the publication of the notice, (iv) the applicable redemption amount, (v) the date for redemption, (vi) the manner in which redemption will be effected and (vii) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to this Condition 8 (*Redemption and Purchase*)), the first in time shall prevail. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under this Condition 8 (*Redemption and Purchase*).

Neither the Trustee nor the Agents shall be responsible for determining or verifying whether a Bond is to be accepted for redemption under this Condition 8 (*Redemption and Purchase*) and will not be responsible to any Bondholder for any loss or liability arising from any failure by them to do so. Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the redemption amount payable under these Conditions or the Early Redemption Amount, and none of them will be liable or responsible to any Bondholder for any loss or liability arising from any failure by them to do so.

In the case of a partial redemption of Bonds represented by the Global Bond Certificate, the Bonds to be redeemed will be selected on a pro rata basis in such place as the Trustee may approve and in such manner as the Trustee shall deem to be appropriate, in accordance with the rules of the clearing systems, not more than 60 and not less than 30 days prior to the date fixed for redemption.

9. Taxation

All payments in respect of the Bonds, the Trust Deed or the Agency Agreement by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of, respectively, the British Virgin Islands, Hong Kong, or any political sub-division thereof or any authority therein or thereof having power to tax (each, a “**Relevant Tax Jurisdiction**”), unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer (or, as the case may be, the Guarantor) shall pay such additional amounts as will result in receipt by the Bondholders (after such withholding or deduction) of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond:

- (a) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Bond; or

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

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

Any reference in these Conditions to principal, default interest and any other amount payable in respect of the Bonds shall be deemed to include any additional amounts which may be payable under this Condition 9 (*Taxation*) or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

If the Issuer (or, as the case may be, the Guarantor) becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands and Hong Kong respectively, references in these Conditions to the British Virgin Islands or and Hong Kong shall be construed as references to the British Virgin Islands and Hong Kong and/or such other jurisdiction.

10. Events of Default

If any of the following events (each, an “**Event of Default**”) occurs, then the Trustee at its discretion may and, if so requested in writing by the Holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (subject in each case to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer and the Guarantor declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at the Early Redemption Amount and accrued default interest (if any) (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6 (*Conversion*)):

- (a) *Non-payment*: if default is made in the payment of any principal or premium (if any) due in respect of the Bonds or any of them and the default continues for a period of 5 days;
- (b) *Failure to deliver Shares*: if the Guarantor fails to give effect to a Conversion Right which has been exercised by a Bondholder in accordance with the terms of these Conditions unless such failure is due to a technical or administrative error and is remedied by the Guarantor within 5 days;
- (c) *Breach of other obligations*: if the Issuer or the Guarantor fails to perform or comply with one or more of its other obligations under these Conditions or the Trust Deed and (except in any case where the failure is, in the opinion of the Trustee, incapable of remedy, then no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by the Trustee on the Issuer and the Guarantor of notice requiring the same to be remedied; or
- (d) *Cross-default*: if (i) any other present or future indebtedness of the Issuer, the Guarantor or any of its Principal Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), other than at the option of the Issuer, the Guarantor or its Principal Subsidiary or any person entitled to such indebtedness (for the avoidance of doubt, excluding any person to which such indebtedness is owed), (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period or (iii) the Issuer, the Guarantor or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(d) (*Cross-default*) have occurred equals or exceeds U.S.\$35,000,000 (or its equivalent in any other currency or currencies);

- (e) *Enforcement Proceedings*: if a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, the Guarantor or any of its Principal Subsidiaries and is not discharged or stayed within 30 days; or
- (f) *Winding-up*: if an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor or any of its Principal Subsidiaries, or the Issuer, the Guarantor or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by Extraordinary Resolution of the Bondholders or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Guarantor or another of its Subsidiaries; or
- (g) *Insolvency*: if the Issuer, the Guarantor or any of its Principal Subsidiaries is (or could be deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of its Principal Subsidiaries; or
- (h) *Security enforced*: if any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of its Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver manager or other similar person); or
- (i) *Illegality*: if it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under or in respect of any of the Bonds, the Agency Agreement or the Trust Deed; or
- (j) *Authorisation and Consents*: if any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer or the Guarantor to lawfully enter into, exercise its rights and perform and comply with its obligations under or in respect of the Bonds, the Agency Agreement and the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Bonds, the Agency Agreement and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (k) *Guarantee*: if the Guarantee is not (or is claimed in writing by the Guarantor not to be) in full force or effect; or
- (l) *Analogous event*: if any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 10(a) (*Non-payment*) to 10(k) (*Guarantee*) (both inclusive).

Neither the Trustee nor any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same, and the Trustee and the Agents need not do anything to ascertain or monitor whether an Event of Default or an event which may become an Event of Default has occurred or is continuing (or has ceased to occur or be continuing) and will not be responsible to the Issuer, the Guarantor, any Bondholder or any other person for any loss or liability arising from any failure by them to do so, and unless the Trustee or such an Agent (as the case may be) has received written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall assume that the same are being duly performed.

In these Conditions, “**Principal Subsidiary**” means at any time any Subsidiary of the Guarantor:

- (a) whose profits before taxation and exceptional items (“**pre-tax profit**”) (consolidated in the case of a Subsidiary which itself has Subsidiaries), as shown by its latest audited statement of profit or loss, are at least 10 per cent. of the consolidated pre-tax profit as shown by the latest published audited statement of profit or loss of the Guarantor and its Subsidiaries, including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of associated entities and after adjustments for non-controlling interests; or
- (b) whose gross assets (consolidated in the case of a Subsidiary which itself has subsidiaries), as shown by its latest audited statement of financial position are at least 10 per cent. of the consolidated gross assets of the Guarantor and its Subsidiaries as shown by the latest published audited consolidated statement of financial position of the Guarantor and its Subsidiaries, including the investment of the Guarantor and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and of associated companies and after adjustment for non-controlling interests

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

- (i) in the case of a corporation or other business entity becoming a Subsidiary of the Guarantor after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary of the Guarantor are published, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary of the Guarantor which itself has Subsidiaries) of such Subsidiary in such accounts;
 - (ii) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, pre-tax profit or gross assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor for the purposes of preparing a certificate thereon to the Trustee;
 - (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its pre-tax profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor for the purposes of preparing a certificate thereon to the Trustee; and
 - (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor; or
- (c) any Subsidiary of the Guarantor to which is transferred the whole or substantially the whole of the assets of a Subsidiary of the Guarantor which, immediately prior to such transfer, was a Principal Subsidiary shall become a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, *provided that* the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary unless such Subsidiary which so transfers its assets would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (a) or (b) above of this definition.

A certificate signed by an Authorised Signatory of the Guarantor whether or not addressed to the Trustee, that, in their opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties, notwithstanding that such certificate may contain a monetary or other limitation or an exclusion of liability of the Guarantor.

11. Prescription

Claims for payment in respect of the Bonds shall become void unless the relevant Bond Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

12. Replacement of Bond Certificates

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

13. Enforcement

At any time after the Bonds have become due and repayable, the Trustee may, at its discretion and without further notice, take such actions and/or steps and/or institute proceedings against the Issuer and/or the Guarantor as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed but it will not be bound to take any such actions and/or steps and/or institute any such proceedings unless (a) it shall have been so requested in writing by the Holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders; and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

14. Meetings of Bondholders; Modification

(a) *Meetings of Bondholders:* The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if it receives a written request from Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and is indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal or Equivalent Amount payable in respect of the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify (except by an adjustment to the Conversion Price in accordance with Condition 6(c) (*Adjustments to Conversion Price*)) or cancel any of the Conversion Rights, or (v) to modify or cancel the Guarantee (other than as provided in Condition 14(b) (*Modification and Waiver*)) or (vi) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution (each a “**Reserved Matter**”), in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than 25 per cent. in aggregate principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Bondholders shall be binding on all the Bondholders, whether or not they are present at the meeting.

In addition, a resolution in writing signed by or on behalf of not less than 90 per cent. of Bondholders who for the time being are entitled to receive notice of a meeting of Bondholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

So long as the Bonds are represented by the Global Bond Certificate, Extraordinary Resolution includes a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of all the Holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding.

(b) *Modification and Waiver*

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification (except for Reserved Matters in the Trust Deed) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed (including an Event of Default and a Potential Event of Default (as defined in the Trust Deed)) which is, in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds, the Agency Agreement or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modifications, authorisation and/or waiver will be notified by the Issuer to the Bondholders promptly thereafter in accordance with Condition 16 (*Notices*).

In the event of the passing of an Extraordinary Resolution in accordance with Condition 14(a) (*Meetings of Bondholders*) or a modification, waiver or authorisation in accordance with Condition 14(b) (*Modification and Waiver*), the Issuer will procure that the Bondholders be notified in accordance with Condition 16 (*Notices*).

(c) *Directions from Bondholders*

None of the Trustee or any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with any instruction, direction, request or resolution of the Bondholders. The Trustee shall be entitled to rely on any instruction, direction, request or resolution of Bondholders given by Holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed or otherwise in accordance with the provisions of the Trust Deed or the Agency Agreement. Whenever the Trustee is required or entitled by the terms of the Trust Deed or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible or liable for any loss or liability incurred by the Issuer, the Guarantor, any Bondholder or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that such directions are not given. The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed or these Conditions.

(d) *Interests of Bondholders*

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation, waiver or substitution) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 9 (*Taxation*) and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

(e) Certificates/Reports

Any certificate, report, opinion or advice of any expert or other person called for by or provided to the Trustee (whether or not obtained by or addressed to the Trustee) in accordance with or for the purposes of these Conditions or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein (and shall, in absence of manifest error, be conclusive and binding on all parties) notwithstanding that such certificate report, opinion and/or advice and/or engagement letter or other document entered into in connection therewith contains a monetary or other limit on the liability of the relevant expert or person in respect thereof.

15. Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for its issue date and the timing for complying with the requirements set out in these Conditions in relation to the NDRC Post Issuance Filing) and so that such further issue shall be consolidated and form a single series with the Bonds.

16. Notices

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

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

17. Agents

The names of the initial Agents and the Registrar and their Specified Offices are set out below. The Issuer and the Guarantor reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Issuer will at all times maintain (a) a Principal Agent and (b) a Registrar which will maintain the Register outside the United Kingdom. Notice of any such termination or appointment, of any changes in the Specified Offices of any Agent or the Registrar and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Bondholders and in any event not less than 45 days' notice will be given.

18. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification (on an after-tax basis) of the Trustee and for its relief from responsibility, including provisions relieving it from taking steps, actions or proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor or any Bondholder and any entity related (directly or indirectly) to the Issuer, the Guarantor or any Bondholder without accounting for any profit.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Guarantor and each of their respective Subsidiaries and affiliates, and the Trustee shall not at any time have any responsibility or liability for the same and each Bondholder shall not rely on the Trustee in respect thereof.

19. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act or as contemplated in Condition 13 (*Enforcement*).

20. Governing Law and Jurisdiction

- (a) *Governing law*: The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with the Bonds are governed by, and shall be construed in accordance with, English law.
- (b) *Hong Kong courts*: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them and accordingly any legal action or proceedings arising out of or in connection with the Bonds, the Trust Deed and the Agency Agreement (“**Proceedings**”) may be brought in such courts. Pursuant to the Trust Deed, the Issuer and the Guarantor has irrevocably submitted to the jurisdiction of such courts and waived any objections to Proceedings in any such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (c) *Agent for service of process*: The Issuer has irrevocably appointed the Guarantor as its agent in Hong Kong to receive service of process in any Proceedings in Hong Kong. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason the Guarantor shall cease to be such agent for service of process or no longer has an address in Hong Kong, each of the Issuer and the Guarantor shall promptly notify the Trustee and irrevocably agrees to appoint a substitute process agent in Hong Kong and to notify the Trustee of the acceptance by such substitute process agent of its appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.
- (d) *Appropriate forum*: The Issuer and the Guarantor agree that the courts of Hong Kong are the most appropriate and convenient courts to settle any Proceeding and, accordingly, that they will not argue to the contrary.
- (e) *Consent to enforcement etc.*: The Issuer and the Guarantor consent generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.
- (f) *Waiver of immunity*: To the extent that the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer, the Guarantor or its respective assets or revenues, the Issuer or the Guarantor agree not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

MARKET PRICE INFORMATION

The Shares have been listed on the Hong Kong Stock Exchange (Stock Code: 3360) since the Guarantor's Initial Public Offering in 2011. Prior to that time, there was no public market for the Guarantor's Shares.

The table below sets forth, for the periods indicated, the high and low closing prices per Share, as reported on the Hong Kong Stock Exchange:

Year	Closing Share Price	
	High	Low
	(HK\$)	(HK\$)
2017		
First quarter ended 31 March 2017	7.600	6.720
Second quarter ended 30 June 2017	7.400	6.810
Third quarter ended 30 September 2017	7.320	6.280
Fourth quarter ended 31 December 2017	7.830	6.890
2018		
First quarter ended 31 March 2018	8.500	7.620
Second quarter ended 30 June 2018	8.870	7.480
Third quarter ended 30 September 2018	7.850	6.860
Fourth quarter ended 31 December 2018	8.000	7.050
2019		
First quarter ended 31 March 2019	8.830	7.560
Second quarter ended 30 June 2019	8.780	7.730
Third quarter ended 30 September 2019	7.980	6.540
Fourth quarter ended 31 December 2019	7.520	6.780
2020		
First quarter ended 31 March 2020	7.650	5.100
Second quarter ended 30 June 2020	7.100	5.920
Third quarter ended 30 September 2020	7.070	6.110
Fourth quarter ended 31 December 2020	8.400	6.200

EXCHANGE RATES

The PRC

Under current PRC regulations, the Renminbi is convertible for “current account transactions,” which include among other things dividend payments and payments for the import of goods and services, subject to compliance with certain procedural requirements. Although the Renminbi has been fully convertible for current account transactions since 1996, we cannot assure you that the relevant PRC government authorities will not limit or eliminate our ability to purchase and retain foreign currencies for current account transactions in the future. Conversion of Renminbi into foreign currencies and of foreign currencies into Renminbi, for payments relating to “capital account transactions,” which principally include investments and loans, generally requires the approval of the State Administration of Foreign Exchange, or SAFE, and other relevant PRC governmental authorities.

The value of the Renminbi against the U.S. dollar, HK dollar and other currencies is affected by, among other things, changes in the PRC’s political and economic conditions and the PRC’s foreign exchange policies. On 21 July 2005, the PRC Government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. However, PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policy goals. Following the removal of the U.S. dollar peg, the RMB appreciated more than 20 per cent. against the U.S. dollar over the following three years. On 21 June 2010, PBOC further reformed the Renminbi exchange rate to increase its flexibility particularly with respect to the U.S. dollar. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. 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. On 5 August 2019, the PBOC set the Renminbi’s daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain global and economic backdrop. 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 exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board for the periods indicated:

	Period end	Exchange rate		
		Average ⁽¹⁾	High	Low
(RMB per U.S.\$1.00)				
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7360	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1681	6.5208
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4730	6.4601	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4648
April	6.4749	6.5186	6.5649	6.4710
May (up till 7 May 2021)	6.4310	6.4638	6.4749	6.4310

⁽¹⁾ Annual averages are calculated using the average of the rates on the last business day of each month during the relevant year. Monthly averages are calculated using the average of the daily rates during the relevant month.

DESCRIPTION OF THE SHARES

The following is a description of the Shares, including summaries of material relevant provisions of the Guarantor's memorandum of association (the "**Memorandum**") and the Articles of Association (the "**Articles**") and the Companies Ordinance (2019 revision) of Hong Kong (the "**Guarantor Ordinance**", together the "**Companies Law**"). These summaries do not purport to be complete and are qualified in their entirety by reference to the full Articles of Association.

General

The Guarantor incorporated in Hong Kong as an exempted Guarantor with limited liability on 15 May 2008 under the Companies Law.

Alteration of Capital

The Guarantor may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- sub-divide its existing shares or any part thereof into larger number of shares than its existing number. Any resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have such preferred or other special rights, or may have such qualified or deferred rights or be subject to such restrictions, as compared with the other or others, as the Guarantor has power to attach to such new shares;
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled or have been forfeited in accordance with the Articles;
- consolidate and divide all or any of its shares into smaller number of shares than its existing number;
- divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, or conditions or such restrictions which in the absence of any such determination by the Guarantor in general meeting; and
- make provision for the issue and allotment of shares which do not carry rights, the word "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting".

If as a result of any consolidation and division or sub-division of shares any members would become entitled to fractions of a share, the Board may deal with the fractions as it thinks fit. In particular, the Board may (on behalf of those members) aggregate and sell the shares representing the fractions to any person and distribute the net proceeds of sale in due proportion among those members and the Board may authorise a person to transfer the shares to, or as directed by, the purchaser, who shall not be bound to see to the application of the purchase money and the title of the new holder to the shares shall not be affected by any irregularity in or invalidity of the proceedings relating to the sale.

Variation of rights of existing shares or classes of shares

Subject to the Companies Law, whenever the capital of the Guarantor is divided into different classes of shares, all or any of the special rights or privileges for the time being attached to any class may be varied, modified or abrogated, either with the consent in writing of holders of not less than three-fourths of the total voting rights of holders of the shares of that class or with the sanction of a Special Resolution (as defined in the Articles) passed at a separate general meeting of the holders of the shares of that class (but not otherwise), and may be so varied, modified or abrogated either whilst the Guarantor is a going concern or during or in contemplation of a winding up.

Transfer of Shares

Subject to the Companies Law, a member may transfer all or any of his shares by an instrument of transfer in any usual or common form prescribed by the Stock Exchange or in any other form which the Board may approve and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

No transfer shall be made to an infant or to a person of unsound mind or under other legal disability.

The instrument of transfer of a share shall be signed by or on behalf of the transferor and the transferee (provided that the Board may dispense with the signing of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so), and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect of the share. The machine imprinted signature on an instrument of transfer may be accepted by the Guarantor for the purpose of such transfer subject to any terms which the Guarantor may impose. Shares of different classes shall not be comprised in the same instrument of transfer. Nothing in the Articles shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.

All instruments of transfer which shall be registered may be retained by the Guarantor, but any instrument of transfer which the Board refuses to register shall (except in any case where fraud or any other crime involving dishonesty is suspected in relation to such transfer) be returned to the person presenting it.

The Board may, in its absolute discretion and without assigning any reason therefore, refuse to register any transfer in respect of a share which is not fully paid up.

The Board may also refuse to register any transfer unless:

- subject to the Companies Law, the instrument of transfer is duly stamped and lodged at the Guarantor's registered office or at such other place as the Directors (as defined in the Articles) may appoint and is accompanied by the certificate for the shares to which it relates, and such other evidence (if any) as the Board may reasonably require to prove the title of the intending transferor or his right to transfer the shares (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do);
- the instrument of transfer is in respect of only one class of shares;
- in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- the instrument of transfer is accompanied by payment of such fee, not exceeding the maximum amount prescribed by the Stock Exchange from time to time, as the Board may from time to time require;
- the shares concerned are free of any lien in favour of the Guarantor;
- such other conditions as the Directors may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied; and
- issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists.

If the Board refuses to register any transfer of any share, it shall, within two months after the date on which the instrument of transfer was lodged with the Guarantor, send to the transferor and the transferee notice of the refusal provided that if any of the transferor or transferee should request for a statement of the reasons for the refusal, the Directors must within 28 days after receiving the request send the statement of the reasons or register the transfer.

The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods as the Board may from time to time determine provided always that such registration shall not be suspended in any year for more than thirty days or, where the period for closing the register of members is extended in respect of that year under the Statutes, for more than that extended period. The Board may recognise a renunciation of the allotment of any share by the allottee in favour of some other person.

Power to purchase the Guarantor's own Shares

Subject to the Companies Law, the Guarantor may buy back its own shares of any class in the capital of the Guarantor, including any redeemable shares or warrants or other securities carrying a right to subscribe for or purchase shares of the Guarantor issued by the Guarantor and, should the Guarantor buy back its own shares or warrants or other such securities, neither the Guarantor nor the Board shall be required to select the shares or warrants to be acquired rateably or in any other particular manner as between the holders of shares or warrants of the same class or as between them and the holders of shares or warrants of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares or warrants. In the case of purchases of redeemable shares, purchases not made through the market or by tender shall be limited to a maximum price and if purchases are by tender, tenders shall be available to all shareholders holding redeemable shares of the Guarantor alike.

Power of any subsidiary to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

Annual general meetings

The Board shall convene and the Guarantor shall hold annual general meetings in accordance with the requirements of the Statutes. Subject to such requirements, the Board shall determine the date, time and place at which each annual general meeting shall be held.

Notice of general meetings and business to be conducted thereat

Subject to the Companies Law, an annual general meeting shall be called by twenty-one clear days' notice in writing at the least, and any other general meeting shall be called by fourteen clear days' notice at the least in manner hereinafter mentioned to all members (other than those who, under the provisions of the Articles, are not entitled to receive such notices from the Guarantor), to the Directors and to the auditors.

The accidental omission to give such notice of a general meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send an instrument of proxy to, or the non-receipt of either or both by, any person entitled to receive such notice shall not invalidate any resolution passed or proceeding had at that meeting.

Notwithstanding that a meeting of the Guarantor is convened by shorter notice than that specified in the Articles, it shall be deemed to have been duly convened if it is so agreed:–

- in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and
- in the case of any other general meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. of the total voting rights at the meeting of all members.

Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless the requisite quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a chairman for the meeting which shall not be treated as part of the business of the meeting. Two members, present in person or by proxy and entitled to vote, shall be a quorum for all purposes.

The Board may resolve to enable members entitled to attend a general meeting to do so by simultaneous attendance and participation at that meeting held at meeting place(s) by electronic means anywhere in the world. The members present in person or by proxy at the meeting place(s) shall be counted in the quorum for, and entitled to vote at, the subject general meeting, and that meeting shall be duly constituted and its proceedings valid provided that the chairman of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that members attending at all the meeting places are able to hear and see all persons present who speak in the principal meeting place and any other meeting place held by electronic means and be heard and seen by all other persons in the same way. The chairman of the meeting shall be present at, and the meeting shall be deemed to take place at, the principal meeting place.

The provisions of the Articles relating to general meetings shall apply, *inutatis mutandis*, to any separate general meeting of the holders of shares of a class held otherwise than in connection with the variation or abrogation of the rights attached to shares of the class. For this purpose, a general meeting at which no holder of a share other than an ordinary share may, in his capacity as a member, attend or vote shall also constitute a separate general meeting of the holders of the ordinary shares.

Special resolution – majority required

A “special resolution” shall have the same meaning as that set out in section 564 of the Guarantor Ordinance.

A special resolution of the members (or of a class of members) of a Guarantor means a resolution that is passed by a majority of at least 75 per cent.

A resolution passed at a general meeting on a show of hands is passed by a majority of at least 75 per cent. if it is passed by at least 75 per cent. of the total of the following–

- the number of the members who (being entitled to do so) vote in person on the resolution;
- the number of the persons who vote on the resolution as duly appointed proxies of members entitled to vote on it.

A resolution passed on a poll taken at a general meeting is passed by a majority of at least 75 per cent. if it is passed by members representing at least 75 per cent. of the total voting rights of all the members who (being entitled to do so) vote in person or by proxy on the resolution.

If a resolution is passed at a general meeting–

- the resolution is not a special resolution unless the notice of the meeting included the text of the resolution and specified the intention to propose the resolution as a special resolution; and
- if the notice of the meeting so specified, the resolution may only be passed as a special resolution.

A reference to an extraordinary resolution of a Guarantor or of a meeting of any class of members of a Guarantor–

- contained in any ordinance that was enacted or document that existed before 31 August 1984; and
- deemed, in relation to a resolution passed or to be passed on or after that date, to be a special resolution of the Guarantor or meeting under section 116(5) of the predecessor ordinance, continues to be deemed to be such a special resolution of the Guarantor or meeting.

A “ordinary resolution” shall have the same meaning as that set out in section 563 of the Guarantor Ordinance.

An ordinary resolution of the members (or of a class of members) of a Guarantor means a resolution that is passed by a simple majority.

A resolution passed at a general meeting on a show of hands is passed by a simple majority if it is passed by a simple majority of the total of the following–

- the number of the members who (being entitled to do so) vote in person on the resolution;
- the number of the persons who vote on the resolution as duly appointed proxies of members entitled to vote on it.
- A resolution passed on a poll taken at a general meeting is passed by a simple majority if it is passed by members representing a simple majority of the total voting rights of all the members who (being entitled to do so) vote in person or by proxy on the resolution.
- Anything that may be done by an ordinary resolution may also be done by a special resolution.

Voting rights

Subject to the Articles and to any special rights or restrictions as to voting for the time being attached to any shares of the Guarantor, at every general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote for every fully paid-up share of which he is the holder. On a poll, every member present in person or by proxy shall have one vote for every fully paid-up share of which he is the holder.

A corporation being a member of the Guarantor may, subject to the Statutes, authorise any person it thinks fit to act as its representative at any general meeting of the Guarantor. A person so authorised is entitled to exercise the same powers on behalf of the corporation as that corporation could exercise if it were an individual member of the Guarantor.

Where any member is, under the Listing Rules, required to abstain from voting on A3 any particular resolution or restricted to voting only for or only against any particular Pam 14 resolution, any vote cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Any corporation which is a member of the Guarantor may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Guarantor or of members of any class of shares of the Guarantor and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Guarantor and where a corporation is so represented, it shall be treated as being present at any meeting in person.

Where a member is a recognised clearing house (within the meaning of the SFO) or its nominee, it may authorise any number of person or persons as it thinks fit to act as its proxy (or proxies) or representative (or representatives) at any general meeting of the Guarantor or any separate meeting of any class of members of the Guarantor provided that, if more than one person so authorised, the instrument of proxy or authorisation must specify the number and class of shares in respect of which each such person is so authorised. Notwithstanding anything contained in the Articles, each person so authorised, and any instrument of proxy or authorisation signed by any officer of the recognised clearing house, shall be deemed to have been duly authorised without further evidence of the facts. The person so authorised will be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) as if such person was the registered holder of the shares of the Guarantor held by that recognised clearing house (or its nominee), including the right to vote on a poll.

In the case of joint holders the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members.

Any person entitled under Article 41 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least forty-eight hours before the time of the holding of the meeting or adjourned meeting (as the case may be) at which he proposes to vote, he shall satisfy the directors of his right to be registered as the holder of such shares or the directors shall have previously admitted his right to vote at such meeting in respect thereof.

No member shall have the right to vote at any general meeting or at any separate meeting of the holders of any class of shares, either in person or by representative or proxy, in respect of any share held by him unless all amounts presently payable by him in respect of that share have been paid.

No objection shall be raised to the qualification of any voter or to the counting of, or failure to count, any vote, except at the meeting or adjourned meeting at which the vote objected to is given or tendered. Subject to any objection made in due time, every vote, whether given personally or by proxy, counted and not disallowed at the meeting shall be valid. Any objection as to voting made in due time shall be referred to the chairman whose decision shall be final and conclusive.

At any general meeting, votes may be given either personally or by proxy or (in the case of a corporate member) by a duly authorised representative. A member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way.

Proxies

Any member of the Guarantor entitled to attend and vote at a meeting of the Guarantor shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Guarantor.

Receipt by the Guarantor of an instrument of proxy shall not preclude a member from attending and voting in person at the meeting. The instrument appointing the proxy shall be deemed to have been revoked when the member attends and votes in person.

A vote cast or poll demanded by a proxy is valid despite the previous termination of the authority of a person to act as a proxy unless notice of such termination shall have been received by the Guarantor in accordance with section 604(3) of the Guarantor Ordinance.

No instrument of proxy shall be valid except for the meeting mentioned in it and any adjournment of that meeting (including on any vote demanded at the meeting or any adjourned meeting). No instrument appointing a proxy shall be valid after the expiration of twelve months from the date named in it as the date of its execution.

Dividends and other methods of distributions

Subject to the Companies Law, the Guarantor may, from time to time, by Ordinary Resolution (as defined in the Articles), declare a dividend to be paid to the members, according to their respective rights and interests in the profits and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the Board.

No dividend shall be paid or distribution made out of profits available for distribution if to do so would render the Guarantor unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital.

The Board may from time to time pay to members such interim dividends as appear to the Board to be justified by the profits of the Guarantor and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Guarantor is divided into different classes, the board may pay such interim dividends in respect of those shares in the capital of the Guarantor which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend, and provided that the Board acts in good faith, the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Guarantor half-yearly or on any other dates, whenever such profit, in the opinion of the Board, justifies such payment.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide:

- all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this Article as paid up on the share; and

- all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

The Guarantor may pay any dividend or other sum payable in respect of a share in cash or by cheque, warrant, order or similar financial instrument and may send the same by post to the registered address of the holder or in the case of joint holders to the registered address of that person whose name stands first in the Register, or to such person and address as the holder or joint holders may direct in writing.

Any joint holder or other person jointly entitled to any share may give an effective receipt for all dividends and other moneys paid in respect of the share.

Any dividend or other sum payable in respect of any share may be paid to a person or persons entitled by transmission to that share as if he or they were the holder or joint holders of that share and his address (or the address of the first named of two or more persons jointly entitled) noted in the Register were the registered address.

No dividend or other moneys payable by the Guarantor on or in respect of any share shall bear interest as against the Guarantor.

Inspection of register of members

There are no provisions in the Articles relating to the ownership of shares by a subsidiary.

Calls on Shares and forfeiture of Shares

Subject to the Articles, the Board may from time to time make such calls upon the members in respect of all moneys unpaid on their shares as it thinks fit, and each member shall (subject to the Guarantor serving upon him at least fourteen clear days' notice specifying when and where payment is to be made) pay to the Guarantor as required by the notice the amount called on his shares. A call may be revoked, extended or postponed as the Board may determine.

Any call may be made payable in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed. A person upon whom a call is made shall remain liable for it notwithstanding the subsequent transfer of the share in respect of which the call is made. The joint holders of a share shall be jointly and severally liable for the payment of all calls in respect of that share.

If a call or instalment payable in respect of a share is not paid before or on the due date for payment, the person from whom the amount is due shall pay interest on the amount unpaid, from the due date for payment to the date of actual payment, at such rate (not exceeding 15 per cent. per annum) as the Board may determine, and shall also pay all costs, charges and expenses which the Guarantor may have incurred or become liable for in order to procure payment of or in consequence of the non-payment of such call or instalment, but the Board shall be at liberty to waive payment of such interest, costs, charges and expenses, wholly or in part.

Any sum which by the conditions of allotment of a share is made payable on allotment, or at any fixed time, or by instalments at any fixed times, shall for all purposes of the Articles be deemed to be a call duly made and payable on the date or dates fixed for payment and, in case of non-payment, the provisions of the Articles shall apply as if that sum had become payable by virtue of a call.

Subject to the terms of the issue, the Board may make arrangements on any issue of shares for a difference between the allottees or holders of the shares in the amounts and times of payment of calls on their shares.

The Board may, if it thinks fit, receive from any member willing to make payment in advance all or any part of the moneys payable upon a share beyond the sum actually called up on it and, upon all or any of the moneys so paid in advance, or so much thereof as exceeds the amount for the time being called up on the share in respect of which such advance has been made, the Board may pay or allow interest at such rate (not exceeding 15 per cent. per annum) as may be agreed upon between the Board and the member paying such sum in advance, but such member shall not be entitled to participate in respect of the amount paid up in advance thereof in a dividend subsequently declared.

No member shall be entitled to receive any dividend, or (save as proxy for another member) to be present or vote at any general meeting, either personally or by proxy, or to exercise any privilege as a member, or be reckoned in a quorum in respect of any share held by him (whether alone or jointly with any other person) if and so long as he shall have defaulted in payment of any call or other sum for the time being due and payable on the share or any interest or expenses (if any) payable in connection therewith.

If any member fails to pay the whole or any part of any call or instalment remains unpaid on any share after the due date for payment, the Board may give a notice to the holder requiring him to pay so much of the call or instalment as remains unpaid, together with any accrued interest and any costs, charges and expenses incurred by the Guarantor by reason of such non-payment.

The notice shall state a further day, being not less than fourteen clear days from the date of such notice, on or before which, and the place where, payment is to be made and shall state that, in the event of non-payment on or before the day and at the place appointed, the share in respect of which such call was made or instalment is payable will be liable to be forfeited.

If the requirements of a notice given under the preceding Article are not complied with, any share in respect of which the notice has been given may, at any time thereafter before payment of all calls or instalments, interest, costs, charges and expenses due in respect thereof has been made, be forfeited by a resolution of the Board. Every forfeiture shall include all dividends declared and other monies payable in respect of the forfeited share, and not actually paid before the forfeiture. The Board may accept a surrender of any share liable to be forfeited, and in such case, reference in the Articles to forfeiture shall include surrender.

If a share is forfeited in accordance with the Articles, notice of the forfeiture shall forthwith be given to the person who was the holder of the share, or (as the case may be) the person entitled to the share by transmission and an entry of such notice having been given, and of the forfeiture, with the date thereof, shall forthwith be made in the Register opposite to the entry of the share; but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry.

Notwithstanding any such forfeiture as aforesaid, the Board may, at any time before the forfeited or surrendered share has been sold, re-allotted, cancelled or otherwise disposed of, annul the forfeiture or surrender upon payment of all calls and interest due upon and costs, charges and expenses incurred in respect of the share, and upon such further conditions (if any) as it may think fit.

Every share which is forfeited or surrendered shall become the property of the Guarantor, and (subject to the provisions of the Statutes) may be sold, re-allotted, cancelled in accordance with the Statutes or otherwise disposed of, upon such terms and in such manner as the Board shall think fit either to the person who was before the forfeiture the holder of the share or to any other person and whether with or without all or any part of the amount previously paid up on the share being credited as so paid up. The Board may for the purpose of a disposal authorise some person to execute an instrument of transfer and a sold note of a forfeited or surrendered share to, or in accordance with the directions of, any person to whom the same has been sold, re-allotted or disposed of.

Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

Procedure on liquidation

If the Guarantor is in liquidation, the liquidator (whether voluntary or official) may, with the sanction of a Special Resolution and any other sanction required by law:

- divide among the members in specie the whole or any part of the assets of the Guarantor and for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members; or
- vest the whole or any part of the assets of the Guarantor in trustees upon such trusts for the benefit of the members or any of them as the liquidator, with the like sanction, shall think fit but no member shall be compelled to accept any asset upon which there is any liability.

Untraceable members

The Guarantor may sell any share of a member, or any share to which a person is entitled by transmission, by instructing an Exchange Participant of the Stock Exchange to sell at the best available price at the time if:

- during a period of twelve years at least three cash dividends or other distributions have become payable in respect of the share to be sold and have been sent by the Guarantor;
- during that period of twelve years no cash dividend or other distribution payable in respect of the share has been claimed, no cheque, warrant, order or other payment for a dividend has been cashed, no dividend sent by means of a funds transfer system has been paid and no communication has been received by the Guarantor from the member or the person entitled by transmission to the share;
- on or after the expiry of that period of twelve years the Guarantor has published advertisements in at least one English language newspaper and one Chinese language newspaper circulating in Hong Kong giving notice of its intention to sell the share;
- during the period of three months following the publication of those advertisements or of the first of the advertisements if they are published on different dates, the Guarantor has not received any communication from the member or the person entitled by transmission to the share; and
- the Guarantor has given notice to the Stock Exchange of its intention to sell the share.

The Guarantor's power of sale shall extend to any further share which, on or before the date of publication of the first of any advertisement pursuant to subparagraph (I)(c) above, is issued in respect of a share to which paragraph (I) applies (or in respect of any share to which this paragraph applies) if the conditions set out in subparagraphs (I) (b) to (e) are satisfied in relation to the further share (but as if the references to a period of twelve years were references to a period beginning on the date of allotment of the further share and ending on the date of publication of the first of the advertisements referred to above).

PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Bonds will be represented by a Global Bond Certificate which will be registered in the name of HSBC Nominees (Hong Kong) Limited as nominee for, and deposited with, a common depository for Euroclear and Clearstream.

The Global Bond Certificate contains provisions which apply to the Bonds in respect of which the Global Bond Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Conversion

Subject to the requirements of Euroclear and Clearstream (or any other clearing system selected by the Issuer and the Guarantor and approved by the Trustee, the Principal Agent and the Registrar (an “**Alternative Clearing System**”)), the Conversion Right attaching to a Bond in respect of which the Global Bond Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices (as defined in the Conditions) duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Bond Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required.

Payment Record Date

Each payment in respect of the Global Bond Certificate will be made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Bond Certificate is being held is open for business.

Payment

The Issuer will pay such principal sum to the holder of the Bonds on 15 June 2026 or on such earlier date or dates as the same may become payable in accordance with the Conditions, and to pay default interest (if any) on such principal sum in arrear on the dates and at the rate specified in the Conditions together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

Notices

Notwithstanding Condition 16 (*Notices*), so long as the Global Bond Certificate is held on behalf of Euroclear, Clearstream or an Alternative Clearing System, notices to holder of the Bonds represented by the Global Bond Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System rather than by mail or publication as aforesaid. Any such notice will be deemed to have been given at 1700 hours on the day the relevant clearing system receives such notice.

Exercise of Put Option

In order to exercise the option contained in Condition 8(d) (*Redemption and Purchase – Redemption at the Option of the Bondholders*) or Condition 8(e) (*Redemption and Purchase – Redemption for Relevant Event*) (a “**Put Option**”), the holder of the Bonds must, within the period specified in the Conditions for the deposit of the relevant Bond Certificate and put notice, give written notice of such exercise to the Principal Agent specifying the principal amount of Bonds in respect of which the Put Option is being exercised. Subject to the Conditions, any such notice shall be irrevocable and may not be withdrawn.

Exercise of Call Option

In order to exercise the option contained in Condition 8(b) (*Redemption and Purchase – Redemption for Taxation Reasons*) or Condition 8(c) (*Redemption and Purchase – Redemption at the Option of the Issuer*) (each, a “**Call Option**”), the Issuer must give within the period specified in the Conditions notice of such exercise to the Bondholders, the Trustee and the Principal Agent, specifying the principal amount of the Bonds in respect of which the Call Option is being exercised. Subject to the Conditions, any notice shall be irrevocable and may not be withdrawn.

Exercise of Bondholders’ Tax Option

In order to exercise the option of Bondholders provided for in paragraph (ii) of Condition 8(b) (*Redemption and Purchase – Redemption for Taxation Reasons*), the Holder must present to or to the order of the Principal Agent of a duly completed Bondholder’s notice electing not to be redeemed (in the form for the time being current) within the time limit set out in and containing the information required by paragraph (ii) of Condition 8(b) (*Redemption and Purchase – Redemption for Taxation Reasons*).

Transfers

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

Partial Redemption

In the case of a partial redemption of the Bonds, such Bonds to be redeemed will be selected on a *pro rata* basis in such place as the Trustee may approve and in such manner as the Trustee shall deem to be appropriate, in accordance with the rules of the relevant clearing system, not more than 60 and not less than 30 days prior to the date fixed for redemption.

TAXATION

The following summary of certain British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Bonds and Shares is based upon applicable laws, regulations, rulings and decisions as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds or the Shares 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 Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds and Shares, including such possible consequences under the laws of their country of citizenship, residence or domicile.

British Virgin Islands

Under existing British Virgin Islands laws, payments of interest and principal on the Bonds will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds nor will gains derived from the disposal of the Bonds be subject to British Virgin Islands income or corporation tax, **provided that** the payments are made to persons who are not resident in the British Virgin Islands.

Under existing British Virgin Islands laws, no estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer.

Under existing British Virgin Islands laws, if neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Bonds or on an instrument of transfer in respect of the Bonds.

Hong Kong

Withholding tax

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

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issuance or transfer of a Bond.

PRC Taxation

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

Taxation on Interests

The EIT Law imposes a tax at the rate of 10 per cent. on interests realised by an enterprise holder of the Bonds that is a “non-resident enterprise” which does not have an establishment or place of business in the PRC or, whose relevant income is not effectively connected with its establishment or place of business in the PRC despite the existence of such establishment or place of business in the PRC, to the extent such interests are sourced within the PRC. The Individual Income Tax Law imposes a tax at the rate of 20 per cent. on interest paid to a foreign individual who is neither domiciled nor resides in the PRC; to the extent such income is sourced within the PRC. Pursuant to these provisions of the EIT Law and the Individual Income Tax Law, it is unclear whether we are considered as a PRC resident enterprise. If we are considered as a PRC resident enterprise, interests paid to non-resident enterprise holders and non-resident individual holders of the Bonds may be treated as income derived from sources within the PRC and thus subject to PRC withholding tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower withholding tax rate, such lower rate may apply to qualified enterprise investors in the Bonds.

Taxation on Capital Gains

The EIT Law impose a tax at the rate of 10 per cent. on capital gains realised by an enterprise holder of Bonds that is a “non-resident enterprise” which does not have an establishment or place of business in the PRC or, where despite the existence of establishment or place of business in the PRC, the relevant gain is not effectively connected with such establishment or place of business in the PRC, to the extent such capital gains are sourced within the PRC. The Individual Income Tax Law imposes a tax at the rate of 20 per cent. on capital gains realised by a foreign individual who is neither domiciled nor resident in the PRC; to the extent such capital gains are sourced within the PRC. Pursuant to these provisions of the EIT Law and the Individual Income Tax Law, although the matter is unclear, if we are considered a PRC resident enterprise, capital gains realised by non-resident enterprise holders and non-resident individual holders of the Bonds may be treated as income derived from sources within the PRC and be subject to PRC withholding tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified enterprise investors in the Bonds.

Stamp duty

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Bonds is maintained outside the PRC) of a Bond.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Managers dated 27 May 2021 (the “**Subscription Agreement**”) pursuant to which, and subject to certain conditions contained therein, the Issuer agreed to sell to the Managers, and each of the Managers has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below.

	Principal amount of the Bonds to be subscribed
	(U.S.\$)
China International Capital Corporation Hong Kong Securities Limited	70,000,000
CMB International Capital Limited	70,000,000
UBS AG Hong Kong Branch	70,000,000
DBS Bank Ltd	40,000,000
Total	250,000,000

The Subscription Agreement provides that the Issuer (failing which, the Guarantor) will indemnify the Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent, and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Managers or their respective affiliates may purchase the Bonds or Shares for their own account and enter into transactions, including, without limitation, credit derivatives, including asset swaps, repackaging and credit default swap relating to the Bonds or Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds or Shares to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchaser of the Bonds). The Managers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or their respective subsidiaries or affiliates from time to time. The Managers may receive customary fees and commissions for these transactions. The Managers or certain of their respective affiliates may purchase Bonds or Shares and be allocated Bonds or Shares for asset management and/or proprietary purposes but not with a view to distribution. In addition to the transactions noted above, the Managers and their respective affiliates may, from time to time, engage in other transactions with, and perform services for, the Issuer, the Guarantor or their respective subsidiaries or affiliates in the ordinary course of their business. In addition, the Managers and certain of their respective subsidiaries and affiliates may hold shares or other securities in the Issuer or the Guarantor as beneficial owners, on behalf of clients or in the capacity of investment advisers.

Each of the Issuer and the Guarantor has agreed in the Subscription Agreement that neither the Issuer, the Guarantor nor any person acting on its or their behalf will (a) issue, offer, sell, contract to pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent (which could be by letter or by e-mail) of the majority of the Joint Global Coordinators between the date hereof and the date which is 90 calendar days after the later of Issue Date except for (i) the Bonds and the New Shares issued on conversion of the Bonds, (ii) the Shares issued or options granted pursuant to the share option scheme disclosed in the annual report of the Guarantor for the year ended 31 December 2020 and (iii) the Shares issued upon the conversion of the U.S.\$300,000,000 in aggregate principal amount of 2.50 per cent. guaranteed convertible bonds due 2025 issued on 8 July 2020 by the Issuer, which is guaranteed by the Guarantor.

Selling Restrictions

General

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

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

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

United States

The Bonds, the Guarantee and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered, sold or delivered within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds or the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Hong Kong

Each Manager has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bond which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

Prohibition of Sales to UK Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bond which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom (“**UK**”). For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

The People’s Republic of China

Each Manager has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by applicable laws of the People’s Republic of China.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

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

The British Virgin Islands

Each Manager has represented, warranted and agreed that it has not made and will not make any invitation to the public in the British Virgin Islands to subscribe for the Bonds.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 234950886 and the International Securities Identification Number for the Bonds is XS2349508866.
2. **Listing of Bonds:** Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds issued to Professional Investors only. It is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on 16 June 2021.
3. **Listing of Shares:** Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares arising on conversion of the Bonds. It is expected that dealing in, and listing of, such Shares on the Hong Kong Stock Exchange will commence when they are issued.
4. **Authorisations:** The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds and the Guarantee. The issue of the Bonds was authorised by resolutions of the sole director of the Issuer passed on 27 May 2021. The giving of the Guarantee was authorised by the minutes of a meeting of the board of directors of the Guarantor passed on 30 March 2021. The Shares to be issued upon conversion of the Bonds are to be issued pursuant to the general mandate granted to the Directors of the Guarantor at its annual general meeting held on 10 June 2020.
5. **No Material Adverse Change:** There has not occurred any material change (nor any development or event involving a prospective change), in our condition (financial or otherwise), prospects, results of operations, profitability, business, management, shareholders' equity, properties or general affairs since 31 December 2020, and there has not occurred any such material change in the Issuer since its incorporation.
6. **Litigation:** Neither the Issuer, the Guarantor nor any of their respective subsidiaries is involved in any litigation or arbitration proceedings which are material in the context of the Bonds nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened.
7. **Available Documents:** Copies of our latest annual report, our audited consolidated financial statements as at and for the years ended 31 December 2018, 2019 and 2020, as well as the Trust Deed and the Agency Agreement, will be available for inspection, at the principal office of the Guarantor at Unit 6608, 66/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and (with respect to the Trust Deed and the Agency Agreement) at the principal office for the time being of the Trustee (being at the Issue Date at Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong) and at the specified office for the time being of the Principal Agent during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time, Monday to Friday other than public holidays) following prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Agent, so long as any of the Bonds is outstanding.
8. **Consolidated Financial Statements:** Ernst & Young, the independent auditors of the Guarantor, have audited the Guarantor's consolidated financial information at and for the years ended 31 December 2018, 2019 and 2020, which are incorporated by reference in this Offering Circular.
9. **Auditor's Consent:** The independent auditors of the Guarantor have agreed to reproduce or incorporate by reference (as applicable) in this Offering Circular of, and all references to, (i) their name and (ii) their audit reports on the consolidated financial statements of the Guarantor for the year ended 31 December 2018, 2019 and 2020.

THE ISSUER

Universe Trek Limited
星旅有限公司
Start Chambers
Wickham's Cay II
P.O. Box 2221
Road Town, Tortola
British Virgin Islands

THE GUARANTOR

Far East Horizon Limited
Unit 6608, 66/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

TRUSTEE

The Hongkong and Shanghai Banking Corporation Limited
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

PRINCIPAL AGENT

**The Hongkong and Shanghai
Banking Corporation Limited**
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

REGISTRAR AND TRANSFER AGENT

**The Hongkong and Shanghai
Banking Corporation Limited**
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

LEGAL ADVISERS TO THE ISSUER AND THE GUARANTOR

as to English law

Baker & McKenzie
14th Floor, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong SAR

as to British Virgin Islands law

Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISERS TO THE MANAGERS

as to English law

Clifford Chance LLP
27th Floor, Jardine House
One Connaught Place
Central
Hong Kong

as to PRC law

Tian Yuan Law Firm
10th Floor
China Pacific Insurance Plaza
28 Fengsheng Hutong
Xicheng District
Beijing 100032
China

LEGAL ADVISERS TO THE TRUSTEE

as to English law

Linklaters
11th Floor, Alexandra House
Chater Road
Central
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Admiralty
Hong Kong