

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES

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Confirmation of Your Representation: The attached 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 the Joint Bookrunners and Global Coordinators that (1) you and any customers you represent are not, and 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, and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

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 Joint Bookrunners and Global Coordinators or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls such Joint Bookrunner and Global Coordinator or any of its 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. A hard copy version will be provided to you upon request.

Restrictions: The attached Offering Circular is being furnished in connection with an offering in offshore transactions in compliance with Regulation S (Category 1) under the United States Securities Act of 1933, as amended (the “**Securities Act**”) solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. 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 OF THE UNITED STATES AND THE SECURITIES 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.

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You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached 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 Offering Circular, 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.

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HNAG FUNDING LIMITED

(an exempted company incorporated with limited liability under the laws of the Cayman Islands)

U.S.\$200,000,000 2.874 per cent. Fixed Rate Secured Notes due 2020

Issue Price: 100 per cent.

The U.S.\$200,000,000 2.874 per cent. Fixed Rate Secured Notes due 2020 (the “**Notes**”) to be issued by HNAG Funding Limited (the “**Issuer**”) will be constituted pursuant to a trust deed (the “**Trust Deed**”) to be dated on or about 24 February 2017 between the Issuer and DB Trustees (Hong Kong) Limited as trustee for the holders of the Notes (the “**Trustee**”). The Notes are limited recourse obligations of the Issuer.

Payments of interest on the Notes will be made semi-annually in arrear on the 4th day of each relevant month (as adjusted for non-Business Days (as provided herein)) commencing on 4 August 2017 in accordance with the priorities of payments described herein.

The Notes will mature on the Expected Maturity Date (or, if applicable, the Legal Maturity Date) at their principal amount.

It is expected that the Notes will, when issued, be assigned an “A” rating by S&P Global Ratings (the “**Rating Agency**”). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation.

Investing in the Notes involves certain risks. See "Risk Factors" beginning on page 20 for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States. The Notes are being offered only outside the United States in offshore transactions in reliance on Regulation S (Category 1) under the Securities Act.

For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see “*Subscription and Sale*”.

Application has been made for the listing and quotation of the Notes on the Official List of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission of the Notes to the Official List of the SGX-ST or quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer or the Notes. There can be no assurance that such listing will be maintained.

The Notes will be issued in registered form in the minimum denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. It is expected that the Notes offered and sold pursuant to Regulation S under the Securities Act will be delivered through the facilities of Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) on or about 24 February 2017.

Joint Bookrunners and Global Coordinators



The date of this Offering Circular is 23 February 2017.

IMPORTANT NOTICE

Prospective investors should rely only on the information contained in this Offering Circular or to which reference is made herein. The Issuer has not authorised anyone to provide prospective investors with information that is different. This Offering Circular may only be used where it is legal to sell the Notes. The information in this Offering Circular may only be accurate as at the date of this Offering Circular.

The Issuer accepts responsibility for all the information included in this Offering Circular. Having taken all reasonable care to ensure that such is the case, the information contained in the Offering Circular is, to the best of the Issuer's knowledge, in accordance with the facts and contains no omission likely to affect its import. The information in the sections headed "Description of the Demand Guarantor", has been obtained from publicly available sources. Such information has been accurately reproduced, and as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Notes described in this Offering Circular. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, Standard Chartered Bank ("SCB") or China Construction Bank (Asia) Corporation Limited ("CCB", and together with SCB, the "**Joint Bookrunners and Global Coordinators**", each a "**Joint Bookrunner and Global Coordinator**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular, see "*Subscription and Sale*". By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Agents, the Facility Agent, the Security Agent, the Transaction Administrator, the Account Bank, the Borrower, the Keepwell Provider or the Demand Guarantor (each as defined below) or their respective affiliates, employees, directors or advisors. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Borrower, the Keepwell Provider, the Demand Guarantor or any of their respective subsidiaries and associates since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank, the Borrower, the Keepwell Provider or the Demand Guarantor to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to, and its contents may be disclosed only to, the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, each investor agrees to these restrictions.

None of the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank, the Borrower, the Keepwell Provider or the Demand Guarantor or their respective affiliates, employees, directors or advisors has separately verified the information contained in this Offering Circular. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank, the Borrower, the Keepwell Provider or the Demand Guarantor or their respective affiliates, employees, directors or advisors as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Notes.

Each person contemplating making an investment in the Notes is deemed to represent that it has conducted its own due diligence, investigation and analysis of the Issuer, the Borrower, the Keepwell Provider and the Demand Guarantor and

the terms of the offering including the merits and risks involved, and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. Each investor in the Notes is deemed to represent that it has had access to such information concerning the Notes, the Issuer, the Borrower, the Keepwell Provider and the Demand Guarantor as it has deemed necessary and has received all information that it believes is necessary or appropriate in connection with its investment decision to purchase the Notes. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Each person receiving this Offering Circular is deemed to represent and acknowledges that such person has not relied on the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank, the Borrower, the Keepwell Provider, the Demand Guarantor or any of their respective affiliates, employees, directors or advisors in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank, the Borrower, the Keepwell Provider, the Demand Guarantor or any of their respective affiliates, employees, directors or advisors accepts any responsibility for the contents of this Offering Circular or for any statement made or purported to be made in connection with the Issuer, the Borrower, the Demand Guarantor, the Keepwell Provider, the Facility Agreement, the Demand Guarantee, the Keepwell Deed or the issue and offering of the Notes. Each of the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank, the Borrower, the Keepwell Provider, the Demand Guarantor and each of their respective affiliates, employees, directors and advisors accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. Each person receiving this Offering Circular agrees that it will not hold any of the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank, the Borrower, the Keepwell Provider, the Demand Guarantor and each of their respective affiliates, employees, directors and advisors responsible for any misstatement or omissions in the Offering Circular and waives any claims against such persons arising from or relating to this transaction. None of the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank, the Borrower, the Keepwell Provider, the Demand Guarantor or any of their respective affiliates, employees, directors or advisors undertakes to review the financial condition or affairs of the Issuer, the Borrower, the Keepwell Provider or the Demand Guarantor for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank, the Borrower, the Keepwell Provider, the Demand Guarantor, or any of their respective affiliates, employees, directors or advisors.

The Issuer is of the opinion that the requirements of Articles 404-410 of the Capital Requirements Regulation (the “CRR”) and Articles 50-56 of Regulation (EU) No. 231/2013 (“AIFMR”) do not apply to the Notes.

Each person receiving this Offering Circular should make an investment in the Notes based on the contents of the final Offering Circular and it acknowledges that any drafts of the Offering Circular (including any preliminary Offering Circular) or any other materials that may have been provided to them prior to the date hereof, are superseded in all respects by the final Offering Circular and such materials should be disregarded for purposes of its investment decision.

The contents of this Offering Circular should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Notes.

PRESENTATION OF INFORMATION

References in this Offering Circular to the “**PRC**”, “**China**” and “**Mainland China**” are to the People’s Republic of China (excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan). Reference in this Offering Circular to “**RMB**”, “**CNY**” or “**Renminbi**” are to the lawful currency for the time being of the PRC. References in this Offering Circular to “**U.S.\$**”, “**Dollars**”, “**U.S. dollars**,” or “**USD**” are to the lawful currency for the time being of the United States of America (the “**U.S.**” or the “**United States**”).

Capitalised terms used in this Offering Circular, unless otherwise indicated, have the meanings set out in this Offering Circular. A glossary of defined terms appears at the back of this Offering Circular.

PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial statements of the Keepwell Provider are prepared in accordance with the generally accepted accounting principles in the PRC. The Borrower is not required under the laws of the British Virgin Islands to prepare annual financial statements or audited accounts.

The audited consolidated financial statements have only been prepared in Chinese and the English translations of such financial statements (the “**Financial Statements Translation**”) have been prepared and included in this Offering Circular for reference only. Should there be any inconsistency between the audited consolidated financial statements and the Financial Statements Translation, the audited consolidated financial statements in Chinese shall prevail. The Financial Statements Translation do not, by themselves, constitute audited financial statements, and is qualified in their entirety by, and is subject to the more detailed information and the financial information set out or referred to in, the audited consolidated financial statements. None of the Joint Bookrunners and Global Coordinators, the Trustee, the Agents, the Security Trustee, the Transaction Administrator, the Account Bank nor their respective affiliates, directors, officers and advisors (i) has independently verified or checked the accuracy of the Financial Statements Translation, and (ii) can give any assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. Consequently, such Financial Statements Translation should not be relied upon by potential purchasers to provide the same quality of information associated with information that has been subject to an audit or review. Potential purchasers of the Notes must exercise caution when using such financial information to evaluate the financial condition, results of operations and prospects of the Borrower and the Keepwell Provider.

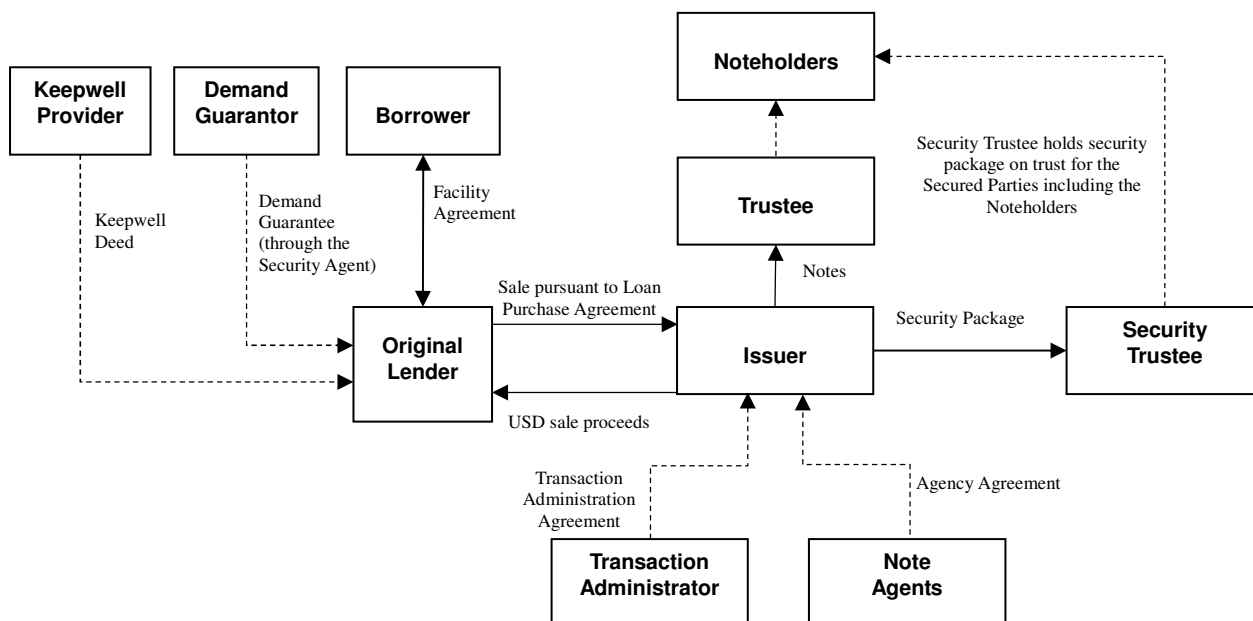
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TRANSACTION SUMMARY

U.S.\$200,000,000 2.874 per cent. Fixed Rate Secured Notes due 2020 (the “Notes”)

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. Prospective investors should therefore read this Offering Circular in its entirety before making any investment decisions.



Summary

Capitalised terms used in this summary section are defined in the more detailed sections below. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary.

On the date of issuance of the Notes (the “**Closing Date**”), the Issuer will apply the proceeds of the issuance of the Notes towards funding the Note Expense Account and towards the purchase of all rights, title, interest and benefit of the Original Lender under the Facility Agreement, the Keepwell Deed, and the Demand Guarantee pursuant to the Loan Purchase Agreement. See “*Transaction Summary — The Loan Purchase Agreement*”.

The performance of the Issuer’s obligations under the Notes will be secured by the grant of a first-ranking security over all of the Issuer’s assets in favour of the Security Trustee (for itself and the other Secured Parties (including the Noteholders)).

It is expected that the Notes will, when issued, be assigned an “A” rating by the Rating Agency.

KEY TRANSACTION PARTIES

(a) Note-level parties

The Issuer	<p>HNAG Funding Limited (the “Issuer”), an exempted company incorporated in the Cayman Islands with limited liability, will issue the Notes. All of the issued share capital of the Issuer is held on a charitable purpose trust.</p> <p>The Issuer’s sole business will be:</p> <ul style="list-style-type: none">(a) the purchase of the Original Lender’s rights under the Facility Agreement (upon which the Issuer shall become a “Lender” under the Facility Agreement), the Keepwell Deed and the Demand Guarantee;(b) the assignment by way of security to the Security Trustee (as defined below) of substantially all of the Issuer’s property and assets and granting a charge over the Issuer’s bank accounts in favour of the Security Trustee;(c) the issuance of the Notes; and(d) the entry into and the performance of its obligations under, referred to in, or contemplated by all the documents relating to the Notes.
The Issuer Administrator	<p>The Issuer will appoint Walkers Fiduciary Limited (the “Issuer Administrator”) to provide certain management and administrative services to the Issuer pursuant to a management agreement.</p>
The Agents	<p>The Issuer will appoint Deutsche Bank AG, Hong Kong Branch as principal paying agent, transfer agent and registrar in those respective capacities (the “Principal Paying Agent”, “Transfer Agent” and the “Registrar”, respectively) pursuant to an agency agreement (collectively, the “Agents”).</p>
The Trustee	<p>DB Trustees (Hong Kong) Limited will act as trustee for the holders of the Notes (the “Trustee”).</p>
The Security Trustee	<p>DB Trustees (Hong Kong) Limited will act as security trustee and hold the Security (as defined below) on behalf of the Noteholders and the other Secured Parties pursuant to the Security Trust Deed (the “Security Trustee”). See “<i>The Notes — Security Package</i>”.</p>
The Account Bank	<p>The Issuer will appoint China Construction Bank Corporation, Hong Kong Branch as its account bank (the “Account Bank”) in respect of the Issuer Accounts (as defined below) pursuant to the Transaction Administration Agreement. See “<i>The Transaction Administration Agreement — The Issuer Accounts</i>”.</p> <p>The Account Bank is required to have long-term unsecured, unguaranteed and unsubordinated debt or counterparty obligations which are rated BBB+ or above by the Rating Agency or such other rating as may be agreed by the Rating Agency from time to time to maintain the then current rating of the Notes. If the Account Bank ceases to have such required rating, a replacement Account Bank with such required rating shall be identified and appointed in place of the original Account Bank in accordance with the provisions of the Transaction Documents. Additionally, the Account Bank may resign voluntarily provided that a replacement account bank with such required rating is appointed. See “<i>The Transaction Administration Agreement — Change of Account Bank</i>”.</p>
The Transaction Administrator	<p>The Issuer will appoint Deutsche Bank AG, Hong Kong Branch (the “Transaction Administrator”) to provide certain administrative services in relation to the payment obligations of the Issuer pursuant to the Transaction Documents.</p>
The Rating Agency	<p>S&P Global Ratings (the “Rating Agency”).</p>

(b) *Asset-level parties*

The Original Lender The original lender under the Facility Agreement is China Construction Bank Corporation, Hong Kong Branch, a licensed bank registered with the Hong Kong Monetary Authority pursuant to the Banking Ordinance (Cap. 155) of Hong Kong and its business address is 25/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong / 21/F, CCB Centre, 18 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong (the “**Original Lender**”).

The Original lender and Standard Chartered Bank (Hong Kong) Limited are the joint mandated lead arrangers and joint bookrunners under the Facility Agreement (the “**MLAB**”).

The Borrower The borrower under the Facility Agreement is HNA Group Overseas Finance 1 Limited, a company incorporated under the laws of the British Virgin Islands (the “**Borrower**”).

The Borrower’s main business is to act as a financing platform for the onshore and offshore subsidiaries of the Keepwell Provider. The Borrower also functions as a financing platform for the Borrower Group and the Parent Group.

The Borrower is a direct wholly-owned subsidiary of the Keepwell Provider.

The Demand Guarantor The issuing bank for the Demand Guarantee is China Construction Bank Corporation, Hainan Branch (the “**Demand Guarantor**”).

The Facility Agent China Construction Bank Corporation, Hong Kong Branch shall act as the facility agent under the Facility Agreement (the “**Facility Agent**”).

The Facility Agent is required to have long-term unsecured, unguaranteed and unsubordinated debt or counterparty obligations which are rated BBB+ or above by the Rating Agency or such other rating as may be agreed by the Rating Agency from time to time to maintain the then current rating of the Notes. If the Facility Agent ceases to have such required rating, a replacement Facility Agent with such required rating shall be identified and appointed in place of the original Facility Agent in accordance with the provisions of the Facility Agreement. The Facility Agent must resign if it will not be a FATCA Exempt Party on or after the earliest FATCA Application Date. Additionally, the Facility Agent may resign voluntarily provided that a replacement facility agent with such required rating is appointed. See “*The Facility Agreement — Replacement of Facility Agent*”.

The Security Agent China Construction Bank Corporation, Hong Kong Branch shall act as the security agent under the Facility Agreement in respect of the Demand Guarantee (the “**Security Agent**”).

The Security Agent shall act as beneficiary under the Demand Guarantee and shall hold the benefit of the Demand Guarantee for and on behalf of the lender(s) and other secured parties under the Facility Agreement. The Security Agent will be replaced upon the occurrence of certain insolvency or illegality events. See “*The Facility Agreement — Replacement of Security Agent*”.

The Keepwell Provider HNA Group Co., Limited (the “**Keepwell Provider**”), a company incorporated under the laws of the PRC, shall execute the Keepwell Deed in favour of, among others, each finance party under the Facility Agreement.

THE NOTES

The Issuer will issue the Notes to the investors on the Closing Date. The Notes will constitute direct, unconditional and unsubordinated obligations of the Issuer and will be secured by the Security Package. See “*The Notes — Security Package*” below.

The Notes will be issued initially in registered global form only, without coupons attached and registered in the name of DB Nominees (Hong Kong) Limited as nominee of a common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”).

Beneficial interests in the global certificate will be shown on, and transfers of beneficial interests in the global certificate will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their respective participants. The Notes are freely transferable in accordance with their terms and subject to certain restrictions on transfers and sales.

Principal features of the Notes

Issue Price	The Notes will be issued at 100 per cent. of their principal amount.
Principal Amount	U.S.\$200,000,000
Interest Rate	2.874 per cent. per annum.
Frequency of payment of interest	Semi-annually.
Expected Maturity Date	The day falling seven (7) Business Days prior to the Legal Maturity Date (the “ Expected Maturity Date ”).
Legal Maturity Date	4 February 2020 (the “ Legal Maturity Date ”).
Form and Denomination	The Notes will be issued outside the United States in offshore transactions under Regulation S in registered form and in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 and will be initially evidenced by a global certificate to be deposited on the Closing Date with a common depository for the Clearing Systems.
Clearing Systems	Clearstream, Luxembourg and Euroclear (the “ Clearing Systems ”).
Listing	Application has been made for the listing and quotation of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 for as long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.
Rating	The Notes will, when issued, be assigned an “A” rating by the Rating Agency.
Underlying Assets	<p>The Issuer will apply the proceeds from the issuance of the Notes to fund the Note Expense Account and to purchase a term loan of U.S.\$200,000,000 from the Original Lender to the Borrower under a Facility Agreement dated 20 February 2017 (the “Facility Agreement”).</p> <p>See the section “<i>The Facility Agreement</i>” below for a summary of the key terms of the Facility Agreement.</p> <p>The Demand Guarantor has guaranteed the Borrower’s payment obligations under the Facility Agreement up to a maximum aggregate amount of U.S.\$207,000,000 pursuant to a demand guarantee (the “Demand Guarantee”). See the section “<i>The Demand Guarantee</i>” below for a summary of the key terms of the Demand Guarantee.</p> <p>The Keepwell Provider has issued a keepwell deed in favour of, among others, each finance party under the Facility Agreement (the “Keepwell Deed”). Under the terms of the Keepwell Deed, the Keepwell Provider shall, <i>inter alia</i>, procure that the Borrower will receive adequate financial funding in such a way that the Borrower is capable of fulfilling all its payment obligations under the Facility Agreement in accordance with the terms thereto. See the section “<i>The Keepwell Deed</i>” below for a summary of the key terms of the Keepwell Deed.</p>
Security Package	The Issuer will grant first ranking security (the “ Security ”) over the Issuer’s property and assets to the Security Trustee to secure all amounts and obligations owed by the Issuer to the Secured Parties under the Notes and in connection with the Transaction Documents.

The Security Trustee shall, in accordance with the terms of the Security Trust Deed, hold the benefit of the Security for itself, the Trustee (for itself and on behalf of the Noteholders), the Agents, the Transaction Administrator, the Issuer Administrator, the Account Bank, the Security Agent and the Facility Agent (together, the “**Secured Parties**”).

The key assets subject to the Security shall include:

- (a) the Issuer’s rights under the Facility Agreement, the Demand Guarantee*, and the Keepwell Deed, following the purchase of those rights by the Issuer from the Original Lender pursuant to the Loan Purchase Agreement;
- (b) the Issuer’s rights under each Transaction Document; and
- (c) the Issuer Accounts.

* The Security Agent will hold the benefit of the Demand Guarantee on behalf of certain loan secured parties (which shall include the Issuer upon the completion of the purchase of the Receivables under the Loan Purchase Agreement).

Note Payment Dates

Interest will be payable on the Notes on 4 August 2017 and thereafter semi-annually in arrear on 4 August and 4 February of each year, provided that:

- (a) the initial note payment date shall be 4 August 2017 as adjusted for Business Days in accordance with paragraph (c) below;
- (b) if the Notes have not been previously redeemed in full, the final note payment date shall be the Expected Maturity Date (or, if applicable, the Legal Maturity Date); and
- (c) if any note payment date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless that day falls in the next calendar month, in which case it shall be brought forward to the immediately preceding Business Day,

(each such note payment date, as so adjusted for Business Days, being a “**Note Payment Date**”).

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in Beijing, Hong Kong and New York.

Interest Period

Interest on the Notes will be payable by reference to successive interest periods determined as follows:

- (a) the initial Interest Period will commence on (and include) the Closing Date and end on (but exclude) 4 August 2017;
- (b) each subsequent Interest Period (other than the final Interest Period) will commence on (and include) the last day of the immediately preceding Interest Period and end on (but exclude) the 4th day of the month falling 6 calendar months from such commencement date, so that each Interest Period will end on (but exclude) 4 August or 4 February of any given year; and
- (c) if the Notes have not been previously redeemed in full, the final Interest Period will commence on (and include) the last day of the interest period ending in July 2019 and end on (but exclude) the Expected Maturity Date (or, if applicable, the Legal Maturity Date),

(each, an “**Interest Period**”).

Redemption on Expected

Assuming that no Note Event of Default or Early Redemption occurs, the Notes will be redeemed in full on the Expected Maturity Date at the Redemption Amount as at such date.

Maturity Date

Redemption on Legal Maturity Date

Unless previously redeemed in full (on the Expected Maturity Date or following the occurrence of a Note Event of Default or Early Redemption), the Issuer will redeem the Notes in full on the Legal Maturity Date at the Redemption Amount as at such date.

The “**Redemption Amount**” means, on any date, an amount equal to the Principal Amount Outstanding of the Notes as at such date plus accrued and unpaid interest thereon to, but excluding, such date.

“**Principal Amount Outstanding**” means the original principal amount of the Notes less the aggregate amount of all principal repayments made on the Notes.

Early Redemption

Following a Loan Acceleration or Loan Prepayment, the Issuer will redeem the Notes in full on the Early Redemption Date at the Early Redemption Amount as at such date (such redemption, an “**Early Redemption**”).

“**Early Redemption Amount**” means, on any date, an amount equal to the sum of (i) the Principal Amount Outstanding of the Notes as at such date (ii) accrued interest thereon to, but excluding, such date, (iii) an amount equivalent to the Early Termination Fee (as defined in the section below entitled “*The Facility Agreement – Early Termination Fee*”) (the “**Early Redemption Fee**”).

“**Early Redemption Date**” means the date falling nine (9) Business Days after the earlier of (i) the date on which the acceleration in full of the Loan (as defined in the section below entitled “*The Facility Agreement*”) pursuant to terms of the Facility Agreement occurs and (ii) the date on which the Loan becomes due for repayment pursuant to a Loan Prepayment, as notified to the Transaction Administrator by the Facility Agent.

“**Loan Acceleration**” means the occurrence of an acceleration in full of the Loan (as defined in the section below entitled “*The Facility Agreement*”) pursuant to terms of the Facility Agreement.

“**Loan Prepayment**” means the mandatory prepayment of the Loan (as defined in the section below entitled “*The Facility Agreement*”) pursuant to terms of the Facility Agreement.

Where the Issuer (as sole Lender under the Facility Agreement) has the right to accelerate or request for prepayment under the Loan, Noteholders may instruct the Issuer to exercise such right by passing an Extraordinary Resolution.

Withholding tax

All payments by the Issuer in respect of the Notes will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges relating to the Cayman Islands unless such withholding or deduction is required by law or made for or on account of FATCA. In such event, the Issuer shall not be obliged to pay any additional amount to the Noteholders in respect of such withholding or deduction.

“**FATCA**” means:

- (a) sections 1471 to 1474 of the Code or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above;
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction; or
- (d) any treaty, law, regulation, instruction or other official guidance analogous to

paragraphs (a) or (b) of this definition enacted or amended in any other jurisdiction from time to time, and any agreement pursuant to the implementation of any such treaty, law, regulation, instruction or other official guidance with any governmental or taxation authority in any jurisdiction.

“**Code**” means the US Internal Revenue Code of 1986.

Conditions precedent to issue of the Notes

Usual and customary conditions precedent for a transaction of this nature including, but not limited to, (a) all conditions precedent to the drawdown of the Facility Agreement having been satisfied; (b) all conditions precedent under the Loan Purchase Agreement having been met; and (c) the Rating Agency issuing a confirmation of the expected rating of the Notes.

Acceleration and Enforcement

Following the occurrence of a Note Event of Default, the Trustee may, in the circumstances specified in Condition 10, give notice that the Notes are immediately due and payable. Following the delivery of an enforcement notice to the Security Trustee by the Trustee pursuant to Condition 4(b), the Security Package shall become enforceable and the Security Trustee shall, subject to it being indemnified and/or secured and/or prefunded to its satisfaction, enforce the Security Package and apply the proceeds of enforcement in accordance with the priority of payments set out in “*Priority of Payments at Issuer Level after Enforcement*” below.

“**Note Event of Default**” means:

- (a) **Payment default:** there has been a failure to pay the principal, interest or any Early Redemption Fee within two (2) Business Days after the same has become due and payable;
- (b) **Breach of other obligations:** material default is made by the Issuer in the performance or observance of any other obligation, condition, provision, representation or warranty binding upon or made by it under the Notes or the other Transaction Documents, and such material default, if capable of being remedied or cured, is not remedied or cured within two (2) Business Days. For the avoidance of doubt, “material default” as used in this paragraph (b) shall refer to any material default by the Issuer that is likely to result in any non-payment by the Issuer under the Notes;
- (c) **Enforcement proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or, a material part of the property, assets or revenues of the Issuer, and is not discharged or stayed within 30 days of having been so levied, enforced or sued out;
- (d) **Insolvency:** the Issuer is (or 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 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 the debts of the Issuer;
- (e) **Winding-up:** an administrator is appointed, an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer, or the Issuer ceases or threatens to cease to carry on all or, substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Noteholders;
- (f) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or
- (g) **Analogous events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (c)

to (f) of this definition.

**Priority of Payments
at Issuer Level before
Enforcement**

On each Note Payment Date, and on any Early Redemption Date (if applicable), prior to the delivery of an enforcement notice to the Security Trustee by the Trustee pursuant to Condition 4(b), the Transaction Administrator will on behalf of the Issuer, apply all amounts on deposit in the Note Payment Account (subject to any top-ups from the Note Expense Account for “governmental fees” in item (a) below, and item (b) below) in the following order of priority:

- (a) *first*, towards all taxes and governmental fees payable by the Issuer;
- (b) *second*, towards all fees, costs, charges, liabilities and expenses of the Transaction Administrator, the Trustee, the Security Trustee, the Agents, the Facility Agent, the Account Bank, the Rating Agency, the Security Agent and the Issuer Administrator which are due but unpaid (subject to an annual cap);
- (c) *third, pro rata and pari passu*, to the Noteholders towards payment of all interest due and payable under the Notes;
- (d) *fourth, pro rata and pari passu*, to the Noteholders, towards payment of all principal due and payable under the Notes;
- (e) *fifth, pro rata and pari passu*, to the Noteholders, towards payment of any Early Redemption Fee due and payable under the Notes;
- (f) *sixth, (if the applicable Note Payment Date is also the first Note Payment Date under the Notes, or if Early Redemption occurs before the first Note Payment Date)* to the Original Lender, towards payment of the Deferred Purchase Price (as defined below);
- (g) *seventh*, to pay all fees, costs, charges, liabilities and expenses of the Transaction Administrator, the Trustee, the Security Trustee, the Agents, the Facility Agent, the Account Bank, the Rating Agency, the Security Agent and the Issuer Administrator in excess of the cap in paragraph (b) above; and
- (h) *eighth*, the balance to the Note Payment Account.

Upon termination of the Note Payment Account, the balance in the Note Payment Account shall be transferred to an account designated by the Issuer pursuant to the Account Bank Agreement.

**Priority of Payments
at Issuer Level after
Enforcement**

On each Note Payment Date, and on any Early Redemption Date (if applicable), following the delivery of an enforcement notice to the Security Trustee by the Trustee pursuant to Condition 4(b), the Transaction Administrator will on behalf of the Security Trustee apply all amounts on deposit in the Note Payment Account (subject to any top-ups from the Note Expense Account for “governmental fees” and the “fees, costs, charges, liabilities and expenses of the Security Trustee” in item (a) below, and item (b) below) in the following order of priority:

- (a) *first*, towards all taxes and governmental fees payable by the Issuer and all fees, costs, charges, liabilities and expenses of the Security Trustee;
- (b) *second*, towards all fees, costs, charges, liabilities and expenses of the Transaction Administrator, the Trustee, the Agents, the Facility Agent, the Account Bank, the Rating Agency, the Security Agent and the Issuer Administrator which are due but unpaid;
- (c) *third*, to the Trustee, towards payment *pro rata and pari passu* to the Noteholders of all interest due and payable under the Notes;

- (d) *fourth*, to the Trustee, towards payment *pro rata* and *pari passu* to the Noteholders of all principal due and payable under the Notes;
- (e) *fifth*, to the Trustee towards payment *pro rata* and *pari passu* to the Noteholders of any Early Redemption Fee due and payable under the Notes;
- (f) *sixth*, (if the applicable Note Payment Date is also the first Note Payment Date under the Notes, or if Early Redemption occurs before the first Note Payment Date) to the Original Lender, towards payment of the Deferred Purchase Price (as defined below); and
- (g) *seventh*, the balance to the Note Payment Account.

Upon termination of the Note Payment Account, the balance in the Note Payment Account shall be transferred to an account designated by the Issuer pursuant to the Account Bank Agreement.

Limited recourse and Non petition

- (a) Recourse against the Issuer, and the liability of the Issuer, in relation to its obligations under the Notes and the Transaction Documents, shall be limited to the amounts from time to time available in accordance with, and in the order of priorities set out in the Transaction Administration Agreement (see “*The Notes — Priority of Payments at Issuer Level before Enforcement*” and “*The Notes — Priority of Payments at Issuer Level after Enforcement*”). Accordingly, no Noteholder (or other Secured Party) shall have any claim or recourse against the Issuer in respect of any amount which is or remains, or will remain, unsatisfied when no further amounts are receivable or recoverable in respect of the Secured Property (as defined below) and all funds comprising the Secured Property and/or representing the proceeds of realisation thereof have been applied in accordance with the provisions of the Transaction Documents, and any unsatisfied amounts shall be waived and extinguished. In addition, where compliance with the obligations imposed on the Issuer under any Transaction Document would require the expenditure by the Issuer of its own funds, the obligations of the Issuer shall be limited to the extent that it is put in funds to meet such expenditure.
- (b) Each of the parties to the Transaction Documents has agreed or will agree that it shall not have the right to take any action to commence any case, proceedings, proposal or other action under any existing or further law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganisation, arrangement in the name of insolvency proceedings, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to the Issuer or the debts of the Issuer.
- (c) Each of the parties to the Transaction Documents has acknowledged and agreed or will acknowledge and agree that the Issuer’s obligations are corporate obligations of the Issuer and that each such party shall not have any recourse against any of the directors, officers or employees of the Issuer for any claims, losses, damages, liabilities, indemnities or other obligations whatsoever in connection with any transactions contemplated by any Transaction Document.

U.S. Selling Restrictions

Regulation S, Category 1.

Governing Law

The Notes and all non-contractual obligations arising under them will be governed by, and construed in accordance with, English law.

THE TRANSACTION DOCUMENTS

The key transaction documents (the “**Transaction Documents**”) to which the Issuer is a party are:

- (a) the trust deed constituting the Notes between the Issuer and the Trustee (the “**Trust Deed**”);

- (b) the agency agreement in relation to the Notes between the Issuer, the Trustee and the Agents (the “**Agency Agreement**”);
- (c) the security trust deed in relation to the Security between, among others, the Issuer and the Security Trustee (the “**Security Trust Deed**”);
- (d) the security assignment of the Issuer’s rights under the Transaction Documents between the Issuer and the Security Trustee (the “**Security Assignment**”);
- (e) the accounts charge in relation to the Issuer Accounts between the Issuer and the Security Trustee (the “**Accounts Charge**”);
- (f) the loan purchase agreement in relation to the purchase of the Receivables between, among others, the Issuer and the Original Lender (the “**Loan Purchase Agreement**”); and
- (g) the transaction administration agreement between, among others, the Issuer and the Transaction Administrator (the “**Transaction Administration Agreement**”).

A summary of some of the key provisions of the Loan Purchase Agreement, the Transaction Administration Agreement, the Facility Agreement, the Demand Guarantee and the Keepwell Deed is set out below.

THE LOAN PURCHASE AGREEMENT

On or prior to the Closing Date, the Issuer will enter into the Loan Purchase Agreement with the Original Lender to effect a legal assignment of the Original Lender’s rights under (a) the Facility Agreement; (b) the Keepwell Deed; and (c) the Demand Guarantee. The key terms of the Loan Purchase Agreement are summarised below.

Agreement for sale and purchase

The Original Lender, with full title guarantee and subject to payment of the Purchase Price, shall sell, and the Issuer shall purchase in relation to each Receivable, all rights, title, interest and benefit of the Original Lender in and under such Receivable, and including for the avoidance of doubt:

- (a) the right to demand, sue for, recover and give receipts for all sums payable under such Receivable;
- (b) the benefit of all securities and guarantees for such principal moneys and interest and other sums payable, the benefit of and the right to sue on all covenants and undertakings in favour of the Original Lender in each Receivable in respect thereof and the right to exercise all powers in favour of the Original Lender in relation to each such Receivable; and
- (c) to the extent that they are assignable, all causes and rights of action in favour of the Original Lender against any person in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with any such Receivable,

((a) to (c) collectively the “**Related Rights**”).

“**Receivable**” means each of:

- (a) the Facility Agreement;
- (b) the Keepwell Deed; and
- (c) the Demand Guarantee.

Consideration

In consideration of the transfer of the Receivables (including the Related Rights), the Issuer shall pay to the Original Lender, the purchase price (consisting of the Initial Purchase Price and the Deferred Purchase Price (each as defined below), collectively, the “**Purchase Price**”) in the manner described below:

- (a) the initial purchase price (the “**Initial Purchase Price**”) of U.S.\$200,000,000 shall be payable on Closing Date to the Original Lender; and
- (b) the deferred purchase price (the “**Deferred Purchase Price**”) calculated as the amount by which (i) the amount of interest payable by the Borrower under the Facility Agreement on the first Interest Payment Date exceeds (ii) the amount of interest payable by the Issuer in respect of the Notes on the first Note Payment Date, will be payable on the first Note Payment Date following the Closing Date or, if earlier, the Early Redemption Date.

Conditions precedent to completion

The sale and purchase of the Receivables is conditional upon the satisfaction of certain conditions precedent on or prior to the Closing Date, including, without limitation:

- (a) the satisfaction or waiver of all conditions precedent under the Facility Agreement;
- (b) the utilisation of the entire facility limit by the Borrower under the Facility Agreement;
- (c) the delivery of certain documents relating to the Receivables, including the duly executed Facility Agreement, Demand Guarantee, Keepwell Deed, transfer certificate under the Facility Agreement and any other documents or consents required for the assignment of the Original Lender’s rights under the Facility Agreement, the Keepwell Deed or the Demand Guarantee; and
- (d) evidence satisfactory to the Original Lender that the Initial Purchase Price payable by the Issuer under the Loan Purchase Agreement has been (or will be) received by the Original Lender on or prior to the time of transfer on the Closing Date.

Perfection

The sale and purchase of the Receivables will be perfected by the delivery of perfection notices to each of the Borrower and the Keepwell Provider on or before the Closing Date.

No perfection notice is required under the Demand Guarantee as the Security Agent, as beneficiary under the Demand Guarantee, holds the benefit of the Demand Guarantee for and on behalf of the lender(s) and other secured parties under the Facility Agreement (which shall include the Issuer upon completion of the sale and purchase of the Receivables).

Original Lender Warranties

The Original Lender has represented and warranted to and for the benefit of the Issuer (as Purchaser) in the Loan Purchase Agreement that, *inter alia*:

- (a) it is duly incorporated and validly existing under the laws of Hong Kong with full power and authority to conduct its business as presently conducted and to carry out the terms of the Loan Purchase Agreement;
- (b) it has duly authorised the Loan Purchase Agreement by all necessary corporate action, and the Loan Purchase Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors’ rights generally and subject, as to enforceability, to equitable principles of general application), and will not result in a breach of, or a default under, any law or any agreement or commitment, or judgment, decree or order, to which it is a party or by which it or any of its assets are bound; the execution, delivery and performance by it of the Loan Purchase Agreement and the consummation of the transactions contemplated thereby will not result in any such breach or default;
- (c) its execution, delivery and performance of the terms of the Loan Purchase Agreement will not (i) violate or contravene any provision of law or other governmental directive, whether or not having the force of law, which is applicable to it; (ii) conflict with its constitutional documents; (iii) conflict with or result in a breach of any provision of any agreement or instrument to which it is a party or by which it or any of its assets are

bound; and (iv) constitute a default or an event that, with the giving of notice or the lapse of time or any other condition, would constitute a default under any such agreement or instrument;

- (d) it is solvent and will not become insolvent by reason of the sale and purchase of the Receivables or any other transactions contemplated by the Loan Purchase Agreement or the other Transaction Documents; it has not taken any corporate action, and, to the best of the Original Lender's knowledge, nor have any other steps been taken or legal proceedings commenced or threatened against it for its winding-up, dissolution or reorganisation or for the appointment of a receiver, liquidator or similar officer of it or of all or any of its assets or revenues; it is able to pay its debts generally; it has not suspended payment on any of its indebtedness; and it is not subject to any corporate action, legal proceedings or other procedures in relation to a restructuring or reorganisation or any analogous procedure under any similar applicable law (for the purposes of the Loan Purchase paragraph, "solvent" means (i) its total assets exceed its total liabilities; (ii) it has not suspended payment of its indebtedness; (iii) it is not unable to pay its debts generally as they become due; and (iv) no petition or application has been filed, and no meeting convened for the purposes of considering a resolution, and no other steps taken or threatened, for the liquidation or winding up of, or the commencement of any bankruptcy, corporate reorganisation, composition or other similar proceedings against or in respect of it);
- (e) it has sole legal and beneficial title to the Receivables, and to the best of the Original Lender's knowledge, such Receivables are free from any charges or encumbrances and any rights of set-off or counterclaim;
- (f) no consent, approval, authorisation, order, filing, registration or qualification of or with any court or arbitrator or governmental or regulatory authority or stock exchange is required in any jurisdiction for the execution, delivery and performance by it of this Agreement or in connection with the Transaction Documents or the Receivables; and
- (g) it has completed and is satisfied with the results of its "know your customer" and similar procedures and due diligence with respect to (i) HNA Group Co., Limited as the keepwell provider; (ii) the Borrower and (iii) each of the affiliates and the Subsidiaries of (i) and (ii).

THE TRANSACTION ADMINISTRATION AGREEMENT

The Issuer will enter into the Transaction Administration Agreement with, *inter alios*, the Transaction Administrator in relation to the provision of certain services in relation to the Receivables, the issue of the Notes and the payment obligations of the Issuer.

The Issuer Accounts

On or before the Closing Date, the Transaction Administrator shall, as instructed by the Issuer, establish, or cause to be established, and will be authorised to operate, the note payment account (the "**Note Payment Account**") and the note expense account (the "**Note Expense Account**"), each as a segregated interest bearing account in the name of the Issuer with the Account Bank (collectively, the "**Issuer Accounts**").

The Note Payment Account

The Transaction Administrator shall procure that all collections received by it in respect of the Receivables shall be deposited into the Note Payment Account. On each Note Payment Date, the balance on deposit in the Note Payment Account shall be applied in accordance with the order of priority of payments set out in the Transaction Administration Agreement (see "*The Notes — Priority of Payments at Issuer Level before Enforcement*" and "*The Notes — Priority of Payments at Issuer Level after Enforcement*").

The Note Expense Account

- (a) The Note Expense Account shall be directly funded on or before the Closing Date for an amount of U.S.\$ 322,640.
- (b) The balance on deposit in the Note Expense Account shall be applied from time to time, subject to an annual cap prior to the delivery of an enforcement notice to the Security Trustee by the Trustee pursuant to Condition 4(b), towards (i) governmental fees and (ii) payment of all fees, costs, charges, liabilities and other expenses in connection with the issuance of the Notes as provided in the Transaction Administration Agreement.

- (c) Following the delivery of an enforcement notice to the Security Trustee by the Trustee pursuant to Condition 4(b), the annual cap shall no longer apply and if any amount remains in the Note Expense Account following payment in full of items (a) and (b) set out in the section above entitled “*The Notes – Priority of Payments at Issuer Level after Enforcement*”, it shall be transferred into the Note Payment Account and applied accordingly.

Change of Account Bank

- (a) Each Issuer Account shall be maintained with the Account Bank and, except pursuant to the provisions of the Transaction Administration Agreement, shall only be changed in accordance with the provisions of the Transaction Administration Agreement and with the prior written consent of the Security Trustee.
- (b) Each Issuer Account shall at all times be held with an Account Bank with long-term unsecured, unguaranteed and unsubordinated debt or counterparty obligations which are rated BBB+ or above by the Rating Agency or such other rating as may be agreed by the Rating Agency from time to time to maintain the then current rating of the Notes (the “**Minimum Rating**”).
- (c) If at any time the credit rating of the Account Bank as determined by the Rating Agency falls below the Minimum Rating, the Transaction Administrator shall, promptly upon becoming actually aware of the same (and in any event, no later than thirty (30) days thereafter), notify each of the Issuer, the Security Trustee, the Facility Agent and the Rating Agency thereof, and establish new segregated accounts with another account bank with the Minimum Rating, and promptly thereafter transfer all funds on deposit in each Issuer Account to such new accounts. Such new accounts shall replace the Issuer Accounts and shall be subject to the Security.
- (d) If the Transaction Administrator is unable to designate a replacement account bank with the Minimum Rating to accept the Issuer Accounts, the Issuer Accounts shall remain established at the Account Bank or be transferred to such other bank as the Security Trustee may approve as soon as reasonably practicable thereafter.
- (e) The Transaction Administrator shall promptly notify each of the parties to the Transaction Administration Agreement and the Rating Agency of the appointment of any replacement account bank and the details of any new Issuer Accounts at the time of such replacement.

Replacement of Transaction Administrator

- (a) The Issuer (at the direction of the Security Trustee) may terminate the appointment of the Transaction Administrator on written notice following the occurrence of certain trigger events, including the following:
- (i) the Transaction Administrator is in default of any of its obligations, and such default is not cured within the applicable grace period, if any;
 - (ii) the insolvency of the Transaction Administrator;
 - (iii) if, in the reasonable opinion of the Security Trustee, continuation of the appointment of the Transaction Administrator would affect in a materially adverse manner the interests of the Secured Parties; or
 - (iv) if the Transaction Administrator merges and the merged entity does not take up the duties of the Transaction Administrator.
- (b) Any termination of the Transaction Administrator shall not be deemed effective until a successor Transaction Administrator acceptable to the Security Trustee has been appointed and such successor Transaction Administrator accepts its appointment.

Administration and monitoring of collections under the Receivables

The Transaction Administrator and the Facility Agent shall monitor collections received from the Receivables and take any enforcement action as may be necessary and as specified below.

Timeline 1 below summarises the timeline for payment under the Facility Agreement under normal circumstances where there is no default or prepayment under the Facility Agreement.

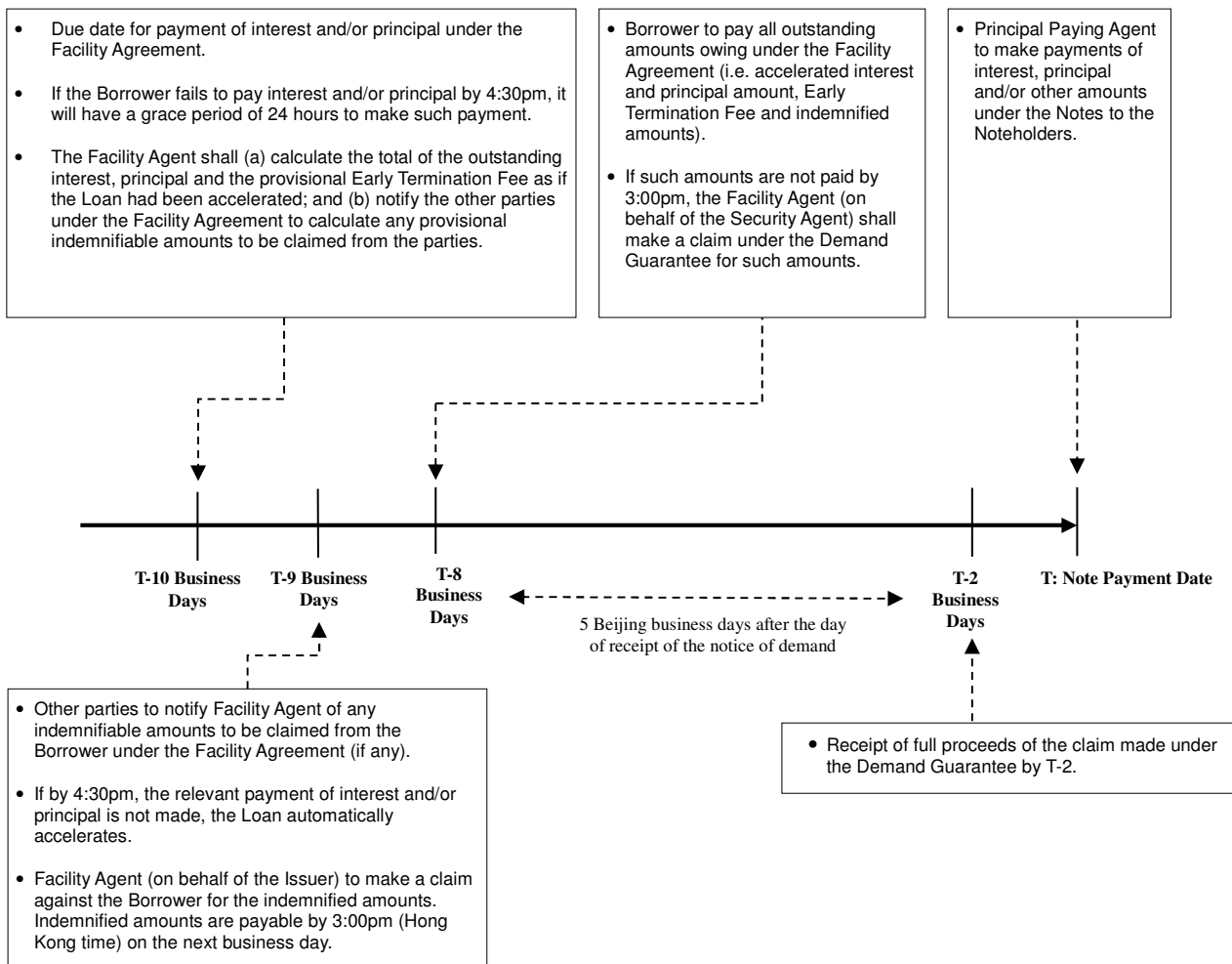
Timeline 2 below summarises the timeline for payment under the Facility Agreement and any enforcement action to be taken under the Demand Guarantee (if required) if Borrower fails to make the necessary payment on a due date under the Facility Agreement.

Timeline 1: Normal arrangement for repayment of interest and/or principal assuming no default under the Facility Agreement



Note 1: For the final interest period, assuming the Borrower repays all outstanding interest and principal under the Facility Agreement on time, the final Note Payment Date will be brought forward to the Expected Maturity Date, being the day falling seven (7) Business Days prior to the Legal Maturity Date.

Timeline 2: Alternative arrangement on the occurrence of non-payment by the Borrower under the Facility Agreement



Making a claim under the Demand Guarantee

In the event that payments due under the Facility Agreement are not received when due, the Facility Agent shall make a claim for such missed payment under the Demand Guarantee in accordance with Timeline 2 set out under “*Administration and monitoring of collections under the Receivables*”. Under the terms of the Demand Guarantee, the Demand Guarantor is obliged to make a payment in respect of a demand received under the Demand Guarantee by five (5) Beijing business days after the day of receipt of the notice of demand.

The Transaction Administrator shall ensure that all proceeds received by the Facility Agent with respect to any claims made under the Demand Guarantee shall be deposited in the Note Payment Account.

Non-Automatic Acceleration of the Loan

The acceleration of the Loan will be automatic pursuant to the Facility Agreement in the case of a failure to pay interest or principal by the Borrower which is not cured within the grace period of one (1) Business Day. Other Events of Default (as defined in the Facility Agreement) do not result in automatic acceleration; in such cases, acceleration must be directed by the Facility Agent acting on the instructions of at least two-thirds of the Lenders. Following the issue of the Notes, the Issuer will be the only Lender in respect of the Facility Agreement and the decision on acceleration will be taken by the Noteholders (pursuant to Condition 14(a)(ix)) and will require an Extraordinary Resolution.

THE FACILITY AGREEMENT

Pursuant to the Facility Agreement, the Original Lender will agree to make available to the Borrower a U.S. dollar term loan facility with a facility amount of U.S.\$200,000,000. The key terms of the Facility Agreement are set out in the section “*The Facility Agreement*” below.

All rights of the Original Lender under the Facility Agreement will be assigned in full to the Issuer pursuant to the Loan Purchase Agreement. The Issuer will become a new Lender under the Facility Agreement upon such assignment taking effect.

Following such assignment, the Issuer (as a new Lender under the Facility Agreement) will be entitled to all rights and benefits as a lender under the Facility Agreement, including, without limitation:

- (a) the right to receive full repayment of principal and interest (including any prepayment proceeds and Early Termination Fee) owing by the Borrower under the Facility Agreement; and
- (b) the benefit of all indemnities given to a lender under the Facility Agreement.

If the Borrower fails to make the necessary payments under the Facility Agreement on the applicable due date, the Facility Agent shall on behalf of the Issuer (as the new Lender) notify the Transaction Administrator of such non-payment on the same day, and the Facility Agent shall make a claim under the Demand Guarantee in accordance with Timeline 2 set out under “*Administration and monitoring of collections under the Receivables*”.

The Issuer shall apply the payments received under the Facility Agreement or the Demand Guarantee (as the case may be) towards the discharge of the Issuer’s payment obligations under the Notes on the immediately following Note Payment Date or Early Redemption Date (if applicable). The Issuer shall satisfy those payment obligations under the Notes by the Transaction Administrator (as agent of the Issuer) making such amounts available to the Principal Paying Agent.

The Loan will be subject to mandatory prepayment on the occurrence of the following events:

- (a) the Facility Agent giving notice to the Borrower of mandatory prepayment resulting from the occurrence of any Guarantor Default Event or an illegality affecting the Lender. See “*The Facility Agreement – Mandatory Prepayment arising from a Mandatory Prepayment Event*”; or
- (b) the acceleration of the Loan, resulting from the occurrence of an event of default under the Facility Agreement.

The Early Termination Fee, being an additional interest amount, shall be payable by the Borrower together with any early repayment amounts following Loan Acceleration or Loan Prepayment (which is not also a voluntary prepayment). See “*The Facility Agreement – Early Termination Fee*” below.

Replacement of Security Agent

The Security Agent may resign by giving not less than 30 days' notice to the Lenders, the Facility Agent and the Borrower, in which case the Majority Lenders may, by giving five (5) days' notice to the Security Agent, appoint a successor Security Agent. If the Majority Lenders have not appointed a successor Security Agent within 30 days after the applicable notice of resignation was given, the retiring Security Agent may, after consultation with the Facility Agent, appoint a successor Security Agent, who, at the time of being so appointed, would not be an Impaired Security Agent.

The Security Agent must resign by giving notice to the Lenders, the Facility Agent and the Borrower if it becomes an Impaired Security Agent. If the Security Agent becomes an Impaired Security Agent, whether or not the Security Agent has given a notice of resignation, the Majority Lenders may, by giving five (5) days' notice to the Security Agent, replace the Security Agent by appointing a successor Security Agent. If the Majority Lenders have not appointed a successor Security Agent within 30 days after the applicable notice of resignation was given, the retiring Security Agent may, after consultation with the Facility Agent, appoint a successor Security Agent who, at the time of being so appointed, would not be an Impaired Security Agent.

Any resignation shall only take effect upon the appointment of the successor Security Agent.

Replacement of Facility Agent

The Facility Agent may resign by giving not less than 30 days' notice to the Lenders, the Security Agent and the Borrower, in which case the Majority Lenders may, by giving five (5) days' notice to the Facility Agent, appoint a successor Facility Agent. If the Majority Lenders have not appointed a successor Facility Agent within ten (10) days after the applicable notice of resignation was given, the retiring Facility Agent may appoint a successor Facility Agent.

The resignation of the retiring Facility Agent or appointment of a successor Facility Agent may not be effected unless (i) such successor is, at the time of being so appointed, a reputable international trust and agency service provider and (ii) such successor would not be an Impaired Facility Agent upon its appointment as successor Facility Agent. Any costs arising as a result of such replacement will be borne by the retiring Facility Agent.

The Facility Agent must resign by giving notice to the Lenders, the Security Agent and the Borrower if it becomes an Impaired Facility Agent. If the Facility Agent becomes an Impaired Facility Agent, whether or not the Facility Agent has given a notice of resignation, the Majority Lenders may, by giving five (5) days' notice to the Facility Agent, replace the Facility Agent by appointing a successor Facility Agent. If the Majority Lenders have not appointed a successor Facility Agent within ten (10) days after the applicable notice of resignation was given, the retiring Facility Agent may appoint a successor Facility Agent who, at the time of being so appointed, would not be an Impaired Facility Agent.

The Facility Agent must resign if it will not be a FATCA Exempt Party on or after the earliest FATCA Application Date.

Any resignation shall only take effect upon the appointment of the successor Facility Agent.

"FATCA Application Date" means:

- (a) in relation to a "withholdable payment" described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014;
- (b) in relation to a "withholdable payment" described in section 1473(1)(A)(ii) of the Code (which relates to "gross proceeds" from the disposition of property of a type that can produce interest from sources within the US), 1 January 2019; or
- (c) in relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within paragraphs (a) or (b) above, 1 January 2019,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the date of the Facility Agreement.

"FATCA Exempt Party" means a party that is entitled to receive payments free from any FATCA Deduction. For the avoidance of doubt, a Party shall be presumed to be a FATCA Exempt Party if it has a valid FATCA GIIN issued to it.

“FATCA GIIN” means the global intermediary identification number issued and assigned to an entity pursuant to FATCA.

“Impaired Facility Agent” means the Facility Agent at any time when:

- (a) the Facility Agent does not have the Required Rating;
- (b) it becomes unlawful in any applicable jurisdiction for the Facility Agent to perform any of its obligations or functions in its capacity as Facility Agent as contemplated by any Finance Document;
- (c) an Insolvency Event has occurred and is continuing with respect to the Facility Agent;
- (d) the Facility Agent is required to resign because it will not be a FATCA Exempt Party on or after the earliest FATCA Application Date pursuant to clause 23.12(h) of the Facility Agreement; or
- (e) the Facility Agent does not claim on the Demand Guarantee pursuant to the Facility Agreement within the stipulated timeline.

“Impaired Security Agent” means the Security Agent at any time when:

- (a) an Insolvency Event has occurred and is continuing with respect to the Security Agent; or
- (b) it becomes unlawful in any applicable jurisdiction for the Security Agent to perform any of its obligations or functions in its capacity as Security Agent as contemplated by any Finance Document.

“Insolvency Event”, in relation to an entity means that such party:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or other official;
- (e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in paragraph (d) above and:
 - (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or
 - (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;
- (f) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (g) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets (other than, for so long as it is required by law or regulation not to be publicly disclosed, any such appointment which is to be made, or is made, by a person or entity described in paragraph (d) above);

- (h) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;
- (i) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (h) above; or
- (j) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence, in any of the foregoing acts.

“**Majority Lenders**” means a Lender or Lenders whose Commitments aggregate more than $66\frac{2}{3}$ per cent. of the Total Commitment (as defined in the Facility Agreement) (or, if the Total Commitment have been reduced to zero (0), aggregated more than $66\frac{2}{3}$ per cent. of the Total Commitment immediately prior to the reduction).

“**Required Rating**” means, in relation to the Facility Agent, long-term unsecured, unguaranteed and unsubordinated debt or counterparty obligations which are rated BBB+ or above by the Rating Agency or such other rating as may be prescribed by the Rating Agency.

THE DEMAND GUARANTEE

The payment obligations of the Borrower under the Facility Agreement are guaranteed up to a maximum amount of U.S.\$207,000,000 (excluding any additional gross-up amounts payable by the Demand Guarantor to account for deductions or withholdings for tax) by the Demand Guarantor under the Demand Guarantee issued in favour of the Security Agent. Pursuant to the Facility Agreement, the Security Agent holds the benefit of the Demand Guarantee on behalf of the Lender and other secured parties under the Facility Agreement. Claims under the Demand Guarantee will be made by the Facility Agent or, if the Facility Agent is unable to do so under certain circumstances, the Security Agent. The expiry date of the Demand Guarantee is 24 February 2020.

The key terms of the Demand Guarantee are set out in the section “*The Demand Guarantee*” below.

THE KEEPWELL DEED

Under the Keepwell Deed, the Keepwell Provider will undertake to, *inter alia*, procure that the Borrower will receive adequate financial funding in such a way that the Borrower is capable of fulfilling all its payment obligations under the Facility Agreement and that the Keepwell Provider will maintain, directly or indirectly, 100% shareholding in the Borrower. Upon the completion of the sale and purchase of the Receivables, the Issuer, being a new Lender under the Facility Agreement, will be a beneficiary under the Keepwell Deed. See section “*The Keepwell Deed*” below.

RISK FACTORS

In addition to other information in this Offering Circular, investors should carefully consider the following risk factors, together with all other information contained in this Offering Circular, before purchasing the Notes. The risks and uncertainties described below may not be the only ones involved. All risk factors described below are contingencies which may or may not occur and the parties involved are not in a position to express any view on the likelihood of any such contingency occurring. The following is not intended to be exhaustive and prospective purchasers of the Notes should also take independent tax, legal and other relevant advice as to the structure and viability of making an investment in the Notes.

This Offering Circular may also contain forward-looking statements that involve risks and uncertainties. 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.

Limitations of this Offering Circular

This Offering Circular does not, and does not purport to, contain all information that a prospective investor in or existing holder of the Notes may require in investigating the Issuer, the Borrower, the Keepwell Provider or the Demand Guarantor prior to making an investment or divestment decision in relation to the Notes. In particular, the financial statements of the Keepwell Provider and the Demand Guarantor have not been included in this Offering Circular (see the section “*Financial Statements*” below). If you require the financial statements of the Keepwell Provider, you will be required to request them via email as described in the section “*Financial Statements*” below. Neither this Offering Circular nor any document or information (or any part thereof) delivered or supplied under or in relation to the Notes (or any part thereof) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Joint Bookrunners and Global Coordinators that any recipient of this Offering Circular or any such other document or information (or such part thereof) should subscribe for or purchase or sell any of the Notes.

This Offering Circular is not, and does not purport to be, investment advice. A prospective investor should make an investment in the Notes only after it has determined that such investment is suitable for its investment objectives. Determining whether an investment in the Notes is suitable is a prospective investor’s responsibility, even if the investor has received information to assist it in making such a determination. Each person receiving this Offering Circular acknowledges that such person has not relied on the Issuer, its subsidiaries and/or its associated companies, the Joint Bookrunners and Global Coordinators or any person affiliated with each of them in connection with its investigation of the accuracy or completeness of the information contained herein or of any additional information considered by it to be necessary in connection with its investment or divestment decision.

Any recipient of this Offering Circular contemplating subscribing for or purchasing or selling any of the Notes should determine for itself the relevance of the information contained in this Offering Circular and any such other document or information (or any part thereof) and its investment or divestment should be, and shall be deemed to be, based solely on its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Borrower, the Keepwell Provider or the Demand Guarantor, the terms and conditions of the Notes and any other factors relevant to its decision, including the merits and risks involved. A prospective investor should consult with its legal, tax and financial advisers prior to deciding to make an investment in the Notes.

Information contained in this Offering Circular relating to the Borrower has been provided by the Borrower pursuant to the Facility Agreement. Information contained in this Offering Circular relating to the Keepwell Provider has been provided by the Keepwell Provider pursuant to the Keepwell Deed. Information relating to the Demand Guarantor has been obtained from public sources. None of the Issuer, the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, Security Agent or the Account Bank or their respective affiliates, employees, directors or advisors has separately verified such information nor do they make any representation as to the accuracy and completeness of such information. In the event that information relating to the Borrower is inaccurate, the Noteholders will only have indirect recourse to the Borrower through the security assignment provided by the Issuer in favour of the Security Trustee (who holds that security on behalf of the Noteholders and the other Secured Parties) over the Issuer’s rights under the Facility Agreement. This includes any rights the Issuer may have to sue the Borrower for breach of representation as to the accuracy of such information and rights under the corresponding indemnity. In the event that information relating to the Demand Guarantor or the Keepwell Provider is inaccurate, the Noteholders will not have recourse to anyone.

Risks Relating to the Notes

Liability under the Notes is limited to the Issuer

The payment obligations under the Notes will be the obligations of the Issuer and will not be obligations or responsibilities of any other person or entity. In particular, the Notes will not be obligations or responsibilities of, and will not be guaranteed by, the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank, the Borrower, the Keepwell Provider, the Demand Guarantor or any company in the same group of companies as, or affiliated to, such parties or any other party. None of these persons will accept any liability to the Noteholders whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes. Noteholders will not have any recourse against any parties other than the Issuer.

Limited liquidity of the Notes

There can be no assurance regarding the future development of the market for the Notes or the ability of the Noteholders, or the price at which the Noteholders may be able, to sell their Notes. The Notes may have no established trading market when issued and one may never develop. Even if a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

The market value of the Notes may fluctuate depending on a number of factors. Consequently, any sale of the Notes by the Noteholders in any secondary market which may develop may be at a discount from the original purchase price of such Notes and an investor in the Notes must be prepared to hold the Notes for an indefinite period of time or until their maturity.

Interest rate risk

Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in note prices, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, note prices may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Inflation risk

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

Early Redemption Risk

The Notes will be subject to early redemption upon the occurrence of any acceleration or prepayment event under the Facility Agreement. For example, the occurrence of any Guarantor Default Event.

In the event of early redemption, Noteholders should be aware that the Early Redemption Amount payable on the Notes will vary depending on the circumstances of the early redemption. For example, the Early Redemption Fee component of the Early Redemption Amount will only be payable in the event of an acceleration or a mandatory prepayment under the Facility Agreement.

Further, there can be no assurance that the Borrower (failing which, the Demand Guarantor) will be able to discharge its payment obligations under the Facility Agreement (or the Demand Guarantee, as the case may be) in a timely manner in the event of an early redemption.

The Notes may not be a suitable investment for all investors

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement to this Offering Circular;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) 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 Notes are complex financial instruments and such instruments may be purchased 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 Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Modification

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

The terms and conditions of the Notes provide that the Trustee may, without the consent of Noteholders, agree to any modification of any of the Conditions or any of the provisions of the Transaction Documents which in the opinion of the Trustee will not be materially prejudicial to the interests of the Noteholders and to any modification of 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 any mandatory provision of law. The terms and conditions of the Notes also provide that the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the terms and conditions of the Notes or any of the provisions of the Transaction Documents if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

The Noteholders have limited recourse against the Issuer's obligations

There may be insufficient moneys to meet the payment obligations under the Notes following an enforcement of the Security Trust Deed or the Security Package. The money in the Issuer Accounts and any other money received by the Issuer under the Receivables and the Transaction Documents are the only assets available to the Issuer to support its obligations in respect of the Notes and, in the event of the enforcement of the Security Trust Deed or the Security Package, the Trustee will have recourse only to the Security as constituted under the Security Package and there is no assurance that, in such circumstances, those assets will be sufficient to redeem the Notes.

Subordination

The payment of principal, interest and any other amounts payable on the Notes are subordinated to payments towards taxes and other senior expenses payable to other parties (subject to an annual cap prior to enforcement). See "*Transaction Summary — Priority of Payments at Issuer Level before Enforcement*" and "*Transaction Summary — Priority of Payments at Issuer Level after Enforcement*".

Withholding taxes and FATCA

All payments in respect of the Notes will be made free and clear of, and without withholding or deduction for, any present or future Taxes, unless such withholding or deduction is required by law or made for or on account of FATCA. The Issuer shall not be obliged to make any additional payments in respect of such withholding taxes or for or on account of FATCA. Any amount which the Issuer is obliged to withhold or deduct from payments in respect of the Notes on account of Tax or on account of FATCA will not be paid by any party.

The Issuer has, however, received an undertaking from the Governor in Cabinet of the Cayman Islands that provides that for a period of twenty years from the date of the undertaking, no new law imposing, among others, any withholding tax levied on profits, income, gains or appreciations shall apply to the Issuer or its operations. See “*Taxation*” for further information on Cayman Islands taxation and FATCA.

Potential FATCA Withholding After 2016

Whilst the Notes are in global form and held within Euroclear Bank or Clearstream, Luxembourg (together, the “*ICSDs*”), in all but the most remote circumstances, it is not expected that provisions of U.S. law, commonly referred to as “*FATCA*” will affect the amount of any payment received by the ICSDs (see “*Taxation – FATCA*”). However, FATCA may affect payments made to custodians or intermediaries (including any clearing system other than Euroclear or Clearstream, Luxembourg) in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives a payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA, including any legislation implementing intergovernmental agreements relating to FATCA, if applicable), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Notes are discharged once it has paid the common depositary for the ICSDs (as holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

The rating of the Notes may be changed at any time and may adversely affect the market price of the Notes

It is a condition to the issuance of the Notes that the Notes be rated “A” by the Rating Agency upon issuance. The rating addresses the full and timely payment of interest and the timely repayment of principal on or before the maturity date in accordance with the terms and conditions of the Notes. The rating of the Notes will be based primarily on the rating of the Demand Guarantor, an assessment of relevant structural features of the transaction and the likelihood of the payment of interest and principal on the Notes in a full and timely manner. A rating is not a recommendation to purchase, hold or sell the Notes. No assurance can be given that a rating will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by an assigning rating agency in the future if, in its judgment, circumstances in the future so warrant, such as insolvency. Any decline in the financial position of the Demand Guarantor may impair the ability of the Issuer to make payments to the Noteholders under the Notes and/or result in the rating of the Notes being lowered, suspended or withdrawn entirely. If the rating initially assigned to the Notes is subsequently lowered or withdrawn for any reason, no person or entity will be obligated to provide any additional credit enhancement with respect to the Notes. Any reduction or withdrawal of a rating may have an adverse effect on the liquidity and market price of the Notes. Any reduction or withdrawal of a rating will not constitute a Note Event of Default or an event requiring the Issuer to redeem any Notes.

The assets of the Issuer may be insufficient to redeem the Notes at their expected value upon an event of default

The ability of the Issuer to redeem the Notes on the occurrence of a Note Event of Default is contingent upon the ability of the Borrower, the Keepwell Provider or the Demand Guarantor to fulfil their obligations under the Facility Agreement, the Keepwell Deed and the Demand Guarantee respectively. There is no assurance that, upon any Note Event of Default, the assets available to the Issuer will be sufficient to redeem the Notes in an amount that the holders thereof would have expected to receive in the event that the Notes redeemed in accordance with their terms on the Expected Maturity Date (or, if applicable, the Legal Maturity Date).

The Notes will initially be evidenced by a global certificate and holders of a beneficial interest in the global certificate must rely on the procedures of the Clearing Systems

The Clearing Systems will maintain records of the beneficial interests in the global certificate. While the Notes are evidenced by the global certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Notes are evidenced by the global certificate the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for the Clearing Systems for distribution to their account holders. A holder of a beneficial interest in the global certificate must rely on the procedures of the relevant Clearing System to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the global certificate. Holders of beneficial interests in the global certificate will not have a direct right to vote in respect of the Notes. 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.

Changes in English law, which governs the Notes, may adversely affect holders of the Notes

The Notes and all non-contractual obligations arising under them will be governed by English Law. No assurance can be given as to the impact of any possible judicial decision or change to English law or procedural practice after the date of the issue of the Notes.

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

In certain circumstances, the Trustee and/or the Security Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Noteholders. The Trustee and/or the Security Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee and the Security Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed and the Security Trust Deed, as applicable, and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly. None of the Trustee and the Security Trustee is required to do anything which may (i) be illegal or contrary to applicable law or regulation; or (ii) cause it to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its own rights, powers, authority or discretion if it believes in its discretion that repayment of such funds or satisfactory indemnity against, and/or security and/or pre-funding for, such risk or the liability is not assured to it.

Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes

In Europe, the United States and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in numerous measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in certain securitisation exposures and/or the powers of or incentives for certain investors to invest in securities issued under such structures, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Joint Bookrunners and Global Coordinators or any of the other parties to the transaction makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory treatment of their investment in the Notes on the Closing Date or at any time in the future.

Such regulation includes Articles 404-410 of the CRR, which provide that an EU credit institution shall only be exposed to the credit risk of a securitisation position if (a) the originator, sponsor or original lender has represented that it will retain, on an on-going basis, a material net economic interest in the securitisation of not less than 5 per cent. and (b) it is able to demonstrate to its regulator on an on-going basis that it has a comprehensive and thorough understanding of the key terms, risks and performance of each securitisation position in which it is invested. Failure by an EU credit institution investor to comply with the requirements of Articles 404-410 of the CRR in relation to any applicable investment will result in an increased capital charge to or increased risk-weighting applying to such investor in respect of that investment. Similar requirements to those set out in Articles 404-410 of the CRR have been implemented for EU-regulated alternative investment fund managers by Articles 50-56 of the AIFMR prohibiting investment by the alternative investment funds (“AIFs”) they manage in non-compliant securitisations and are expected to be implemented for other EU-regulated investors, including insurance or reinsurance undertakings and undertakings for collective investment in transferable securities.

No representation of the sort referred to in the preceding paragraph has been made in relation to this transaction. The Issuer is of the opinion that the requirements of Articles 404-410 of the CRR and Articles 50-56 of the AIFMR should not apply to investments in the Notes. However, investors should be aware that the regulatory capital treatment of any investment in the Notes will be determined by the interpretation which an investor's regulator places on the provisions of the CRR and the AIFMR. Prospective investors should therefore be aware that should the relevant investor's regulator interpret the regulations such that Articles 404-410 of the CRR and Articles 50-56 of the AIFMR do apply to an investment in the Notes, significantly higher capital charges may be applied to the relevant credit institution's holding and investment by the relevant AIF may be prohibited.

Investors in the Notes are responsible for analysing their own regulatory position and independently assessing and determining whether or not Articles 404-410 of the CRR or Articles 50-56 of the AIFMR will be applied to their exposure to the Notes and therefore prospective investors should not rely on the Issuer's interpretation set out above. Further, the Joint Bookrunners and Global Coordinators and their respective affiliates do not make any representation in respect of the application of Articles 404-410 of the CRR and Articles 50-56 of the AIFMR to any investment in the Notes. Investors should consult their regulator should they require guidance in relation to the regulatory treatment that their regulator would apply to an investment in the Notes.

Articles 404-410 of the CRR and Articles 50-56 of the AIFMR and/or any further changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of the individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market. No assurance can be given that further changes will not be made to the CRR or AIFMR or other regulatory provisions which could impact holders of the Notes.

Changes to the Basel II Framework may affect the capital and/or the liquidity requirements associated with a holding of the Notes for certain investors

In 1988, the Basel Committee on Banking Supervision (the "**Basel Committee**") adopted capital guidelines that explicitly link the relationship between a bank's capital and its credit risks. In June 2006, the Basel Committee finalised and published new risk adjusted capital guidelines ("**Basel II**").

More recently, the Basel Committee has approved significant changes to the Basel II framework (such changes being commonly referred to as "**Basel III**") including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards and a minimum leverage ratio for financial institutions. In particular, the changes include new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**" respectively). Member countries have been required to implement the new capital standards from January 2013, and will be required to implement the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The Basel Committee is also considering introducing additional capital requirements for systemically important institutions. The European authorities have implemented Basel III via a new capital requirement directive (the "**CRD4**") and a capital requirements regulation (the "**CRR**"). The requirements of CRD4 and the CRR are taking effect in stages beginning on 1 January 2013, with full implementation by 1 January 2019. Basel III, the CRD4 and the CRR may have an impact on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

In general, investors should consult their own advisors as to the regulatory capital requirements in respect of the Notes and as to the consequences to and effect on them of Basel III, the CRD4, the CRR and any implementing measures. No predictions can be made as to the precise effects of the matters on any investor or otherwise.

CRA3

Prospective investors are responsible for ensuring that an investment in the Notes is compliant with all applicable investment guidelines and requirements and in particular any requirements relating to ratings. In this context, prospective investors should note the provisions of Regulation 462/2013 (EU) which amends Regulation (EC) 1060/2009 on Credit Rating Agencies (together "**CRA3**") which became effective on 20 June 2013. CRA3 addresses the use of credit ratings for regulatory purposes and requires, among other things, issuers or related third parties intending to solicit a credit rating or a structured finance instrument (as defined in CRA3) to appoint at least two credit rating agencies to provide credit ratings independently of each other.

The Issuer is incorporated in the Cayman Islands and the Notes will be listed on the Singapore Stock Exchange. Prospective investors are required to independently assess and determine the relevance of CRA3 and, as the case may be, whether the Notes and the investors' investment in the Notes are in compliance with the requirements of CRA3.

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

Under the Enterprise Income Tax law of the PRC (the "New EIT Law") and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the New EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the New EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply, respectively, unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the PRC and Hong Kong for the avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, may be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

If a Noteholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Notes, the value of the relevant Noteholder's investment in the Notes may be materially and adversely affected.

Risks Relating to the Issuer

The Issuer has no operating history and no other assets

The Issuer is a newly-formed special purpose vehicle and has no operating history and no material assets. No assurances can be given that the Issuer will be profitable or that any particular return will be achieved. The Issuer will not engage in any business activity other than the issuance of the Notes, the purchase of Receivables under the Loan Purchase Agreement, other activities conducted in connection with the payment of amounts in respect of the Notes and other activities incidental or related to the foregoing. As such, the Issuer has, and will have, no substantial assets other than its issued and paid-up share capital, its rights as lender under the Facility Agreement and as beneficiary (through the Security Agent) under the Demand Guarantee, and any assets on which the Notes or other obligations are secured.

No investigation has been made in respect of the Issuer

No investigation, and limited searches and enquiries, have been made by or on behalf of the Issuer and no investigations, searches or enquiries have been made by or on behalf of any party, in respect of the Issuer.

Counterparty risk

The ability of the Issuer to meet its obligations under the Notes will depend on the ability of the Borrower to make timely payments under the Facility Agreement and the satisfaction of the undertakings of the Keepwell Provider under the Keepwell Deed, failing which, the ability of the Demand Guarantor to pay under the Demand Guarantee. To the extent that any of the parties above are unable to discharge their obligations in a timely manner, the ability of the Issuer to meet its obligations to pay principal, interest and any other amounts payable under the Notes will be affected. Accordingly, investors are relying heavily on the creditworthiness of those parties.

The insolvency laws of the Cayman Islands may differ from those of another jurisdiction with which the Noteholders are familiar

The Issuer is incorporated under the laws of the Cayman Islands. Any insolvency proceeding relating to the Issuer would likely involve the Cayman Islands' insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Noteholders are familiar.

The Issuer is subject to Cayman Islands Anti-Money Laundering Legislation

The Issuer and the Issuer Administrator are subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Crime Law (as amended) (the “PCL”). Pursuant to the PCL, the Cayman Islands government enacted The Money Laundering Regulations (as amended) (the “MLR”), which impose specific requirements with respect to the obligation to “know your client”. Except in relation to certain categories of institutional investors, the Issuer (and its agents on its behalf) can require a detailed verification of each investor’s identity and the source of the payment used by such investor for purchasing the Notes in a manner similar to the obligations imposed under the laws of other major financial centres. In addition, if any person who is resident in the Cayman Islands knows or has a suspicion that a payment to the Issuer (by way of investment or otherwise) contains the proceeds of criminal conduct, that person must report such suspicion to the Cayman Islands authorities pursuant to the PCL. If the Issuer were determined by the Cayman Islands government to be in violation of the PCL or the MLR, the Issuer could be subject to substantial criminal penalties. Such a violation could materially adversely affect the timing and amount of payments by the Issuer to the holders of the Notes. The Issuer may be subject to similar restrictions in other jurisdictions.

Risks Relating to the Receivables

True sale of the Receivables

Although a legal opinion will be obtained on the true sale nature of sale of the Receivables under the Loan Purchase Agreement, such opinion will be qualified to be based on certain facts that are and/or will be represented and warranted as correct by the Original Lender (as seller of the Receivables) under the Loan Purchase Agreement. No assurance can be made as to the accuracy of such facts, representations and warranties. A breach of those representations and warranties may affect the true sale nature of the sale of the Receivables.

Performance risk of the Transaction Administrator, the Security Agent and the Facility Agent

Each of the Transaction Administrator, the Security Agent and the Facility Agent plays a critical role in ensuring that sufficient proceeds are received under the Receivables for the purposes of making payments of interest, principal and any other amounts payable under the Notes. In the event that either party fails to discharge such duties in a timely manner (for example, by failing to make a claim under the Demand Guarantee within the prescribed time following any non-payment under the Facility Agreement), payments of interest, principal and any other amounts payable under the Notes may be affected.

Risks Relating to the Demand Guarantee

Payments under the Demand Guarantee are subject to a cap

Payments under the Demand Guarantee (excluding any additional amounts payable by the Demand Guarantor to account for deductions or withholdings for tax) are subject to a maximum amount of U.S.\$207,000,000. While this payment limit should be sufficient to cover payments of interest, principal and any Early Termination Fee under the Facility Agreement in most circumstances, there may be exceptional circumstances whereby the capped amount received under the Demand Guarantee is insufficient to cover payments of interest, principal and any Early Termination Fee under the Facility Agreement.

There may be uncertainty relating to the enforceability of and interpretation of the provisions of the Demand Guarantee

The Demand Guarantee is governed by PRC law and contains provisions similar to those contained in customary commercial guarantees governed by English or Hong Kong law. Whilst legal advice has been obtained in relation to the enforceability of the Demand Guarantee under PRC law, there can be no assurance that the PRC courts would interpret provision of the Demand Guarantee in a manner similar to the English or Hong Kong courts. Further, the procedures and timing for taking action in the PRC courts may be different from those investors are accustomed to in the English and Hong Kong courts. In addition, the Demand Guarantor is an agency of the PRC government and whilst legal advice has been obtained that it is not entitled to state immunity in the PRC, there can be no assurance that this will not change in the future.

SAFE registration is required in relation to the Demand Guarantee

According to the SAFE regulations, issuing Demand Guarantee by the Guarantor constitutes outbound security and the Guarantor is required to file the relevant data regarding such outbound security with the SAFE through the data interface program or other means (数据接口程序或其他方式) after the Demand Guarantee is issued, which is merely procedural for the purpose of SAFE collecting relevant cross border security data. Failure to file such data by the Guarantor will not affect the legality, validity or enforceability of the Demand Guarantee.

Risks Relating to the Demand Guarantor

The Demand Guarantor is the Hainan branch of China Construction Bank Corporation (“CCBC”, together with its branch offices and subsidiaries, the “CCBC Group”). As the Demand Guarantor is part of the CCBC Group, the business and operation of CCBC will to various extents affect the business and financial condition of the Demand Guarantor, which would in turn affect the Demand Guarantor’s ability to discharge its obligations under the Demand Guarantee and the rating of the Notes.

Moreover, under PRC law, the head office of CCBC shall be ultimately responsible for all obligations of the Demand Guarantor. Hence the business and operation of CCBC will affect the ability of CCBC to discharge its obligations in the event the Demand Guarantor fails to discharge its obligations under the Demand Guarantee, and in turn the rating of the Notes.

Credit risk of CCBC as a separate entity

The credit quality of CCBC may deteriorate due to many factors, including without limitation: (a) any substantial deterioration in its capital strength; (b) any significantly heightened credit losses incurred by it relative to domestic peers; or (c) any downgrade of its rating.

CCBC engages in diversified business activities including corporate banking, personal banking, treasury, investment banking and overseas business. These business activities are subject to multiple risks such as interest rate risk, currency risk, liquidity risk, risks in relation to its loan portfolio and other risks related to the expansion of its products, services and business scope.

A downturn in performance in one or more areas of CCBC’s business may affect the overall credit standing of CCBC, which in turn may adversely affect its ability to discharge its obligations under the Demand Guarantee and the rating of the Notes.

Public information on CCBC

Although CCBC, the head office of the Demand Guarantor is listed on the Hong Kong Stock Exchange (Stock Code: 939) and the Shanghai Stock Exchange, publicly available information about members of the CCBC Group (including the Demand Guarantor), may be confined to the following sources: (a) its annual reports, financial statements, and periodical public announcements published in accordance with the relevant listing rules; and (b) credit rating reports on CCBC that are available from leading credit rating agencies. There can be no assurance that CCBC will comply with its continuing disclosure obligations under the relevant listing rules, or disclose materials relating to the Demand Guarantee in a timely manner.

Certain facts and statistics and information relating to CCBC are derived from publications not independently verified by the Issuer, the Joint Bookrunners and Global Coordinators, the Borrower, the Keepwell Provider or the Original Lender or their respective advisors

Facts and statistics in this Offering Circular relating to the PRC’s economy and the industries in which the Borrower and the Keepwell Provider operate and information relating to CCBC (including risks related to CCBC) are derived from publicly available sources. Such facts, statistics and information have not been independently verified by the Issuer, the Joint Bookrunners and Global Coordinators, the Borrower, the Original Lender or their respective advisors and, therefore, none of them makes any representation as to the accuracy of such facts and statistics or information, which may not be consistent with other information compiled within or outside the PRC. Due to ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon.

The insolvency laws of the PRC may differ from those of another jurisdiction with which the Noteholders are familiar

CCBC is incorporated under the laws of the PRC. Any insolvency proceeding relating to CCBC would likely involve the insolvency laws of the PRC, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Noteholders are familiar.

Uncertainties and instability in global market conditions could adversely affect CCBC's business, financial condition and results of operations

In 2008, the global credit markets experienced significant dislocation and uncertainty as a result of liquidity disruptions in the United States' credit and sub-prime residential mortgage markets since the second half of 2007. These and other related events, such as the collapse of a number of financial institutions, have resulted in an economic slowdown in the United States and most economies around the world, substantial volatility in financial markets globally, fluctuations in foreign currency exchange rates and volatility and tightening of liquidity in global financial markets. In response to the adverse conditions in the financial markets and the global economy, many countries, including the PRC, had implemented fiscal measures and other stimulus packages targeted at reducing the adverse impact of the global economic crisis and reviving their economies.

The sovereign debt crisis in some European countries (including Greece, Ireland, Italy, Spain and Portugal) which began in early 2010 and the downgrading of the credit rating for the United States' sovereign debt in August 2011 and ongoing slow economic recovery in the United States, Eurozone, Japan and most other economies around the world have caused uncertainty to the global financial markets. The uncertain global economic outlook, the referendum passed on 23 June 2016 for the United Kingdom to leave the European Union, together with the withdrawal or potential withdrawal of existing monetary and fiscal stimulus put in place by various governments since the global financial crisis, including the withdrawal by the U.S. Federal Reserve of its quantitative easing programme or any significant contraction of liquidity in the PRC interbank market, may have an adverse impact on the global economy which may in turn affect the PRC. If the global financial markets experience any further turmoil or if the PRC experiences any significant economic downturn, CCBC's business, financial condition and results of operations could be adversely affected, which in turn may adversely affect its ability to satisfy its obligations under the Demand Guarantee.

CCBC has a concentration of credit exposure to certain customers and certain sectors

CCBC extends loans and advances to the domestic (i) manufacturing industry; (ii) transportation, storage and postal services industries; (iii) production and supply of electric power, heat, gas and water industries; and (iv) real estate industries. If any of these industries in which CCBC's loans are highly concentrated experiences a significant downturn, CCBC's asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect its ability to satisfy its obligations under the Demand Guarantee.

Although CCBC follows its credit risk management policies when extending credit to different industry sectors, such as credit extension guidelines for different industry sectors, and although CCBC monitors its credit risks in different industries closely, any significant or extended downturn in any of these sectors may reduce the borrowing activities in these sectors, as well as increase the level of CCBC's impaired loans and related provisions for impaired loans, all of which will in turn reduce its net profit and adversely affect its business, financial condition and results of operations.

CCBC is also exposed to the fluctuations of the real estate market through its extension of personal residential mortgage loans, individual commercial property mortgage loans and home equity loans. CCBC's real estate related loans mainly include both corporate real estate loans and personal residential mortgage loans. Notwithstanding prudential measures CCBC has put in place to maintain a portfolio of high quality real estate loans with sustainable growth, including imposing stringent standards for the acceptance of new customers for personal residential mortgage loans, the PRC real estate market is subject to volatility and property prices have experienced significant fluctuations in recent years. In the event that PRC real estate prices experience a significant prolonged decline, CCBC's asset quality will likely be negatively affected. Further, the PRC government has already implemented and continues to implement certain adjustment measures aimed at managing the fluctuations of the real estate market. These policies may have an adverse effect on the quality of loans extended to the real estate industry and may also adversely affect the quality of CCBC's mortgage loan portfolio. In addition, if the real estate market in China experiences a significant downturn, the value of the real estate securing the Bank's loans may decrease, resulting in a reduction in the amount the Bank can recover. Any of the above developments or a combination thereof may adversely affect the Bank's asset quality, business, financial condition and results of operations, which in turn may negatively affect its ability to satisfy its obligations under the Demand Guarantee.

In accordance with national policies aimed at limiting the over-development of certain industries with excess capacity, including the iron and steel, cement, electrolytic aluminium, plate glass, as well as shipbuilding industries, CCBC carefully manages its exposure to these industries and has adopted a strict policy towards extending loans to these

industries in order to reduce its loan exposure and risks associated with loans to these high-risk industries.

Notwithstanding the credit measures CCBC has put in place, in the event the PRC government issues policies to further restrict such industries or there is deterioration in the production and operation of the Bank's customers from industries with overcapacity, the quality of CCBC's loans will suffer which will in turn have an adverse effect on its business, financial position and results of operations, and may negatively affect its ability to satisfy its obligations under the Demand Guarantee.

CCBC may be unable to realise the full value of the collateral or guarantees securing CCBC's loan portfolio

If there is substantial deterioration in the business condition of a borrower which adversely affects the borrower's ability to repay, CCBC may not be able to recover the amounts lent under unsecured loans, which will in turn adversely affect CCBC's financial position and results of operations, and may negatively affect the Bank's ability to satisfy its obligations under the Demand Guarantee. Guaranteed loans are loans that are guaranteed by affiliates of the borrower or other third parties. Notwithstanding the fact that such loans are guaranteed, CCBC's exposure to the guarantor is generally unsecured and if the financial position of the guarantor deteriorates significantly, its ability to recover such loans will correspondingly deteriorate. Furthermore, the guarantee provided by such guarantor may be determined by the court as invalid if the guarantor fails to comply with certain laws and regulations in the PRC, including PRC property law and PRC security law. A significant percentage of CCBC's loan portfolio is secured by collateral, consisting mainly of domestic assets such as properties, land use rights and securities. The value of the collateral is generally higher than the amount loaned but such value is affected by factors CCBC cannot control including those affecting the PRC economy. If the PRC economy deteriorates, it could result in a decrease in the value of the collateral which will lead to the reduction of the amount of the loan that can be recovered. In addition, the procedures for liquidating or otherwise realising the value of collateral of borrowers in the PRC may be protracted, and the enforcement process in the PRC may be difficult. As a result, it may be difficult and time-consuming for banks to take control of or liquidate the collateral securing NPLs. Furthermore, certain specified claims may enjoy priority over CCBC's rights on loan collaterals. If a borrower fails to repay and if CCBC is not able to timely realise the entire or sufficient part of the value of collateral, pledged assets or guarantees represented, CCBC's asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

CCBC may not be able to maintain or reduce its current NPL ratio

CCBC's results of operations have been negatively affected by its nonperforming loans ("NPLs"), which may continue to affect CCBC's current and future business performance. The quality of CCBC's loan portfolio is affected by factors which CCBC is unable to control, including any adverse changes to the PRC economic structure, deterioration in the PRC's economy, deterioration in the global economy. Adverse changes in the economic environment in the PRC as well as force majeure events including natural disasters or outbreak of diseases may all have negative impact on CCBC's customers' ability to repay the loans. Factors such as deterioration in the credit conditions of CCBC's customers' trading partners, decline in both residential and commercial property prices, an increase in the unemployment rate in China and a deterioration in the profitability of corporate borrowers will also lead to a reduction in the quality of CCBC's assets.

All of these factors can lead to an increase in CCBC's NPL ratio, which will correspondingly adversely affect its business, financial condition and results of operations, and may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

CCBC's allowance for impairment losses may not be adequate to cover future actual losses to its loan portfolio

As at 30 June 2016, the CCBC Group's allowance for impairment losses on loans was RMB275,887 million, the ratio of its allowance for impairment losses to total loans extended to customers was 2.48%, and the ratio of the CCBC Group's allowance for impairment losses to NPLs was 151.63%. The amount of the allowance for impairment losses to loans is based on the Bank's current assessment of and expectations concerning various factors that may affect the quality of its loan portfolio. These factors include, among other things, the borrowers' financial condition, repayment ability and repayment intention, the realisable value of any collateral and the likelihood of support from guarantors, as well as the PRC's economy, macroeconomic policies, interest rates, exchange rates and legal and regulatory environment. The above-mentioned factors are beyond CCBC's control. If CCBC's assessment of and expectations concerning these factors differ from actual developments in the future, or if the quality of its loan portfolio deteriorates, its allowance for impairment losses may not be adequate to cover its actual losses and CCBC may need to make additional provisions for impairment losses, which may adversely affect its business, financial condition and results of

operations and, in turn, may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

The expanding range of products and services exposes CCBC to new risks

CCBC has expanded and intends to continue to expand the range of its products and services. As at 30 June 2016, the Group had 28 tier-one overseas branches, covering 26 countries and regions including Hong Kong, Singapore, Germany, South Africa, Japan, South Korea, US, UK, Vietnam, Australia, Russia, Dubai, Taiwan, Luxembourg, Macau, New Zealand, Canada, France, Netherlands, Spain, Italy, Switzerland, Brazil, Cayman Islands, Ireland, and Chile, and wholly-owned operating subsidiaries including CCBC Asia, CCBC London, CCBC Russia, CCBC Dubai, CCBC Europe and CCBC New Zealand. Expansion of its business activities exposes CCBC to a number of risks and challenges, including the following:

- CCBC may have limited or no experience in certain new business activities or geographies and may not be able, or may take a relatively long period, to compete effectively in these areas;
- CCBC may not be able to devote sufficient resources or management capacity to certain new business activities or geographies;
- there is no guarantee that the new business activities will meet CCBC's expectations of their profitability;
- CCBC may not be able to hire new personnel or retrain existing personnel who are able to conduct new business activities; and
- CCBC may not be able to continually add to the capability of its risk management and information technology systems to support a broader range of activities.

If CCBC is not able to achieve the intended results in these new business areas, its business, financial condition and results of operations may be adversely affected, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee. In addition, if CCBC fails to promptly identify and expand into new areas of business to meet the increasing demand for certain products and services, it may fail to maintain its market share or lose some of its existing customers to its competitors.

Furthermore, CCBC's international expansion into multiple jurisdictions exposes CCBC to a variety of new regulatory and business challenges and risks and has increased the complexity of its risks in a number of areas, including currency risk, interest rate risk, credit risk, regulatory and compliance risk, reputational risk and operational risk. If CCBC is unable to manage the risks resulting from its international expansion, its reputation, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

CCBC is subject to liquidity risk

CCBC regularly monitors the gap between its assets and liabilities for various maturities in order to assess its liquidity risk for different periods. Customer deposits have historically been the main source of CCBC's funding. Generally, CCBC's short-term customer deposits have not been withdrawn upon maturity and have represented a stable source of funding. However, it cannot be assured that this will continue to be the case. If a substantial portion of CCBC's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Bank may have no choice but to seek other sources of funding to meet its funding requirements. It cannot be assured that CCBC can source financing based on normal commercial terms when necessary. Furthermore, CCBC's ability to obtain additional funds may also be affected by other factors including factors that CCBC may find difficult to control or be totally incapable of controlling, such as the deterioration of overall market conditions, severe disturbance to the financial market or a bleak outlook for industries where it has substantial credit exposure. All of these factors may result in adverse effects on CCBC's liquidity, business, financial position and results of operations, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

CCBC is subject to credit risks with respect to certain off-balance sheet commitments and guarantees

In the normal course of CCBC's business, CCBC makes commitments and guarantees which are not reflected as liabilities on its balance sheet, including providing bank acceptances, guarantees, letters of credit and other credit commitments. CCBC is subject to credit risks on its commitments and guarantees because certain of its commitments and guarantees may need to be fulfilled as a result of CCBC's customers' default. If CCBC is not able to obtain

payment from its customers in respect of these commitments and guarantees or enforce its contracts with them, CCBC's business, financial condition and results of operations may be adversely affected, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

CCBC is subject to risks associated with its hedging activities and other derivative transactions

CCBC has entered into derivative transactions for hedging purposes as well as conducted derivative transactions on behalf of its customers. Accordingly, CCBC faces market and operational risks associated with these transactions. At present, the regulation of China's derivative market remains in the development stage and requires further improvement and this increases the risks of the derivative transactions CCBC enters into. Further, CCBC's capabilities in monitoring, analysing and reporting these transactions are subject to limitations in its information technology developments. Accordingly, CCBC's business, financial position and results of operations may be adversely affected given the volatility of the prices of these derivatives, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

Changes in accounting policy may impact CCBC's financial condition and results of operations

Some of China's generally accepted accounting standards are currently undergoing gradual improvement and relevant regulatory institutions are constantly adjusting specific accounting policies applicable to the banking sector. Changes in specific accounting policies may affect CCBC's financial position. The new "Accounting Standards for Enterprises" promulgated by the PRC Ministry of Finance ("MOF") in February 2006 with effect from 1 January 2007 has been implemented by CCBC.

Going forward, CCBC may be required to revise its accounting policies and estimates according to the amendment of domestic and international accounting standards, the interpretation and guidance of promulgations and other regulatory changes. If CCBC is required to implement significant changes to the handling of certain financial items or the alteration of accounting estimates, it may have adverse effects on its business, financial condition and results of operations. Such developments may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

CCBC's provisioning policies and loan classification may be different in certain respects from those applicable to banks in certain other countries or regions

CCBC determines a level of allowance for impairment losses and recognise any related provisions made in a year using the concept of impairment under International Accounting Standards and their interpretations ("IAS 39"). CCBC's provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions which do not assess loans under IAS 39. As a result, CCBC's allowance for impairment losses, as determined under the provisioning policies, may differ from those that would be reported if it was incorporated in those countries or regions.

CCBC classifies its loans as "normal", "special mention", "sub standard", "doubtful" and "loss" by using the five-category classification system according to requirements of the China Banking Regulatory Commission ("CBRC"). CCBC's five-category classification system may be different in certain respects from those of banks incorporated in certain other countries or regions. As a result, it may reflect a different degree of risk than what would be reported if CCBC was incorporated in those countries or regions.

CCBC's business, financial position and results of operations may be affected by its policies regarding provisioning and loan classification. If CCBC's approach to provisioning policies and/or loan classification proves not to be adequate, CCBC's business, financial position and results of operations may be negatively affected, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

Implementation of IFRS 9 in 2018 and interpretive guidance on its application will require CCBC to change its provisioning practice

CCBC assesses its loans and investment assets for impairment under IAS 39, as amended from time to time. The International Accounting Standards Board ("IASB") published IFRS 9 "Financial Instruments" (replacement of IAS 39) in July 2014, which proposed the introduction of an expected loss impairment model to replace the existing incurred loss model. Future implementation of IFRS 9 and interpretive guidance on the application of IFRS 9 may require CCBC to change its current provisioning practice and may, as a result, affect CCBC's business, financial condition and results of operations, which in turn may negatively affect CCBC's ability to satisfy its other under the Demand

Guarantee.

It cannot be assured that CCBC's risk management and internal control policies and procedures will be effective in completely managing and avoiding all of its risks

In recent years, CCBC has achieved progress in terms of risk management by improving its policies and procedures. However, as these policies and procedures are relatively new, CCBC will require additional time to fully measure the impact of, and evaluate its compliance with, these policies and procedures. Moreover, CCBC's staff will require time to adjust to these policies and procedures and it cannot be assured that CCBC's staff will be able to consistently follow or correctly apply these new policies and procedures. In addition, CCBC's risk management capabilities are limited by the information, tools and technologies available to CCBC. Furthermore, CCBC's ability to control market risk and liquidity risk is constrained by the current PRC laws and regulations that restrict the types of financial instruments and investments CCBC may hold. If CCBC is unable to effectively implement the enhanced risk management and internal control policies and procedures, or if the intended results of such policies and procedures are not achieved in a timely manner, its asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

CCBC's business is highly dependent on the proper functioning and improvement of its information technology systems

CCBC's business is highly dependent on the ability of its information technology systems to accurately process large numbers of transactions across numerous markets and products in a timely manner. The proper functioning of CCBC's financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between CCBC's various branch outlets and its main data processing centre, is critical to its business and its ability to compete effectively. CCBC's data centres provide backup data that could be used in the event of a system breakdown or a failure of CCBC's primary systems, and have established alternative communications networks where available. However, CCBC does not operate all of its backup systems on a real-time basis and it cannot be assured that CCBC's business activities would not be substantially disrupted if there was a partial or complete failure of any of these primary information technology systems or communications networks. Such failures could be caused by, among other things, software flaws, computer virus attacks or conversion errors due to system upgrading. In addition, any security breach caused by unauthorised access to information or systems, or intentional destruction or loss or corruption of data, software, hardware or other computer equipment, could have an adverse effect on CCBC's business, financial condition and results of operations, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

CCBC's ability to remain competitive will depend in part on its ability to upgrade its information technology systems on a timely and cost-effective basis. In addition, the information available to and received by CCBC through its existing information technology systems may not be timely or sufficient for CCBC to manage risks and plan for, and respond to, market changes and other developments in its current operating environment. As a result, CCBC is making and intends to continue making investments to improve or upgrade its information technology systems. Any substantial failure to improve or upgrade CCBC's information technology systems effectively or on a timely basis could adversely affect its competitiveness, business, financial condition and results of operations, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

CCBC may not be able to detect and prevent fraud or other misconduct committed by its employees or third parties on a timely basis

CCBC may suffer from economic loss, penalties from regulatory institutions and severe damage to its reputation as a result of fraud or other misconduct committed by CCBC's employees or third parties. Types of misconduct conducted by CCBC's employees in the past include, among other things, theft, embezzlement or misappropriation of customers' funds; mishandling of customer deposits and settlement of payment transactions; improper extensions of credit; improper accounting; fraud; and acceptance of bribes. Types of misconduct by third parties which may affect CCBC include, among other things, fraud, theft, robbery and certain armed crimes. In addition, CCBC's employees may commit errors that could subject CCBC to financial claims as well as regulatory actions. While CCBC is constantly strengthening its inspection efforts and increasing its precautionary measures to prevent misconduct by employees and third parties, given CCBC's significant number of branch outlets, it cannot be assured that CCBC can identify and prevent all fraudulent behaviours of misconduct or that the preventive measures CCBC has adopted will be effective in every circumstance. As at 30 June 2016, CCBC had a total of 14,938 domestic operating outlets. It cannot be assured that any fraud or other misconduct committed by CCBC's employees or third parties, whether involving past acts that have gone undetected or future acts, will not have an adverse effect on CCBC's business, financial condition and results

of operations, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

CCBC may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and harm its business or reputation

CCBC is required to comply with applicable anti-money-laundering, anti-terrorism laws and other regulations in the PRC, Hong Kong and other jurisdictions where CCBC has operations. These laws and regulations require CCBC, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. While CCBC has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering activities or by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where CCBC may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent CCBC may fail to fully comply with applicable laws and regulations, the relevant government agencies to whom CCBC reports have the power and authority to impose fines and other penalties on CCBC, which could harm its business and reputation, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

CCBC is subject to certain operational requirements as well as guidelines set by the PRC banking regulatory authorities. CCBC is also subject to the supervision and inspection of domestic regulators and overseas regulators in jurisdictions where it operates

CCBC is subject to regular and irregular supervision and inspection by China's regulatory institutions, including the MOF, the PBOC, the CBRC, the China Securities Regulatory Commission ("CSRC"), the China Insurance Regulatory Commission ("CIRC"), the State Administration of Taxation ("SAT"), the State Administration of Industry & Commerce ("SAIC"), the State Administration of Foreign Exchange ("SAFE") and the National Audit Office ("NAO").

CCBC is subject to certain operational requirements and guidelines set by the PRC banking regulatory authorities. It cannot be assured that CCBC will be able to meet these operational requirements and guidelines in the future at all times, or that no sanction will be imposed on CCBC in the future if CCBC fails to do so. If sanctions are imposed on CCBC for the breaches of these or other operational requirements and guidelines, its business, financial condition and results of operations may be adversely affected, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

Furthermore, CCBC may also be subject to inspection and supervision of overseas regulatory institutions in overseas jurisdictions where it operates. CCBC's overseas branches, subsidiaries and representative offices must follow local laws, regulations and the regulatory requirements of relevant local regulatory institutions of their respective jurisdictions. It cannot be assured that CCBC's overseas branches, subsidiaries and representative offices will be able to meet the applicable laws and regulatory requirements at all times. If CCBC is not able to meet these requirements, there may be an adverse impact on CCBC's business in these jurisdictions. Some of these inspections have led to penalties and other sanctions imposed on the Bank as a result of non-compliance. Although none of the penalties and sanctions imposed on CCBC has had a material adverse impact on CCBC's operations, financial position, and business performance, it cannot be assured that future inspections by regulatory institutions will not result in penalties or sanctions which may adversely affect CCBC's operations, reputation, business, financial position and results of operations, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

CCBC may be subject to OFAC penalties if it conducts transactions in violation of OFAC regulations

The United States currently imposes various economic sanctions, which are administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") and which apply only to U.S. persons and, in certain cases, to foreign subsidiaries of U.S. persons or to transactions involving certain items subject to U.S. jurisdiction. Similar sanctions are administered by the United Kingdom, the European Union, United Nations Security Council and other applicable jurisdictions. These sanctions are intended to address a variety of policy concerns, among other things, denying certain countries, and certain individuals and entities, the ability to support international terrorism and to pursue weapons of mass destruction and missile programmes. CCBC does not believe that these sanctions are applicable to any of the CCBC Group's activities. However, if the CCBC Group engages in any prohibited transactions by any means or it was otherwise determined that any of the CCBC Group's transactions violated applicable sanctions regulations, the CCBC Group could be subject to penalties and its reputation and ability to conduct future business in the U.S. or other relevant jurisdictions or with U.S. persons or other relevant persons could be adversely affected. As CCBC's business, financial condition and results of operations may be adversely affected, CCBC's ability to satisfy its

obligations under the Demand Guarantee may also be negatively affected.

Risks relating to the PRC Banking industry

CCBC is subject to risks inherent to the PRC Banking Industry

CCBC, being a bank established in the PRC, is subject to risks inherent in the PRC banking industry. These include risks relating to:

- the increasingly intense competition in the PRC banking industry and competition from other investment and financing channels;
- uncertain changes in the regulatory environment of the PRC banking industry;
- unpredictable changes in the PRC monetary policy;
- the sustainability of the growth rate of the banking industry in the PRC; and
- the quality and scope of credit information of potential customers available in the PRC.

Any of these risks may adversely impact the financial performance and affect the overall credit standing of the Demand Guarantor and CCBC, which in turn may adversely affect the ability of the Demand Guarantor to discharge its obligations under the Demand Guarantee and the rating of the Notes.

CCBC may face situations where it cannot meet the capital adequacy requirements imposed by the relevant PRC regulators or as a G-SIB pursuant to the Basel II and Basel III

According to the “Measures for the Management of Capital Adequacy Ratios of Commercial Banks” formulated by the CBRC in 2004 and amended in July 2007, the minimum capital adequacy ratio and core capital adequacy ratio for commercial banks are 8% and 4%, respectively. According to the “Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)” (“**CBRC Capital Regulations**”) formulated by the CBRC to implement the Basel II and Basel III in June 2012 and effected on 1 January 2013, the capital adequacy ratio of different tiers of a commercial bank shall not be lower than the following minimum requirements at any point in time: (i) the core tier 1 capital adequacy ratio shall not be lower than 5%; (ii) the tier 1 capital adequacy ratio shall not be lower than 6%; and (iii) the capital adequacy ratio shall not be lower than 8%. In addition, CCBC as a domestic systemically important bank will also be required to maintain a further 1% capital surcharge above prevailing core tier 1 capital requirements. Since January 2013, CCBC calculated its capital adequacy ratio in accordance with these measures. As at 30 June 2016, the CCBC Group’s core capital adequacy ratio was 12.64% and the capital adequacy ratio was 15.58%, and therefore, in compliance with the CBRC Capital Regulations.

In recent years, the CBRC has issued several regulations and guidelines governing capital adequacy requirements applicable to commercial banks in China. In 2010, the CBRC began regulating the capital adequacy of commercial banks, and implemented separate regulatory target requirements for separate banks. Furthermore, the financial stability board identified CCBC as a globally systemically important bank (“**G-SIB**”) in November 2015. As a G-SIB, CCBC is required to satisfy heightened capital adequacy ratios pursuant to Basel III.

Although CCBC has already implemented medium to long term capital management policies to strengthen capital management and its capability to maintain growth, some regulatory developments may affect CCBC’s ability to continually comply with capital adequacy requirements, including the decline in asset quality, the decline in value of its investments, the raising of minimum capital adequacy ratios by the CBRC and the changes in calculations of capital adequacy ratios by the CBRC.

In order to support the steady growth and development, CCBC may need to raise more capital to ensure that its capital complies with or exceeds the minimum regulatory requirement. In its future plans to raise capital, CCBC may issue any share securities that can contribute towards core tier 1 capital or additional tier 1 capital or any debt securities that can contribute towards tier 2 capital.

CCBC’s capital-raising ability may be restricted by CCBC’s future business, financial and operational results, CCBC’s credit rating, necessary regulatory approvals, overall market conditions including PRC and global economic, political and other conditions at the time of capital raising.

If CCBC fails to meet the capital adequacy requirements, the CBRC may require CCBC to take corrective measures, including, for example, restricting the growth of its loans and other assets or restricting its declaration or distribution of dividends. These measures could adversely affect CCBC's reputation, business, financial condition and results of operations, which in turn may negatively affect CCBC's ability to satisfy its obligations under the Demand Guarantee.

CCBC is subject to interest rate risks

CCBC's results of operations may be materially and adversely affected if PBOC further deregulates interest rates. PBOC has adopted reform measures to liberalise the PRC's interest rate regime. Going forward, PBOC may further liberalise the existing interest rate restrictions on Renminbi-denominated loans and deposits. If the existing regulations are substantially liberalised or eliminated, competition in the PRC's banking industry will likely intensify as the PRC's commercial banks seek to offer more attractive interest rates to customers. Further liberalisation by PBOC may result in the narrowing of the spread in the average interest rates between Renminbi-denominated loans and Renminbi-denominated deposits, thereby materially and adversely affecting CCBC's business, financial condition and results of operations which in turn adversely affect its ability to discharge the Demand Guarantor's obligations under the Demand Guarantee in the event the Demand Guarantor fails to do so, and the rating of the Notes.

The effectiveness of CCBC's credit risk management is affected by the quality and scope of information available in the PRC

National credit information databases developed by PBOC have been in operation since January 2006. However, as the information infrastructure in the PRC is still under development and there remains limitations on the availability of information, national credit information databases are generally under-developed and are not able to provide complete credit information on many of CCBC's credit applicants. Until the PRC has further developed and fully implemented its nationwide unified credit information database on corporate borrowers, CCBC has to rely on other publicly available resources and its internal resources to supplement what is currently available on the nationwide unified credit information database for enterprises. These sources of data and information are not sufficiently complete or effective for the robust credit risk management system that the CCBC Group attempts to build. Therefore, there can be no assurance that CCBC's assessment of the credit risks associated with any particular customer is based on complete, accurate and reliable information, which materially and adversely affects the ability of CCBC to effectively manage its credit risk.

Risks Relating to the Keepwell Deed

The Keepwell Deed is not a guarantee from the Keepwell Provider and enforcement of the Keepwell Deed may be subject to procedural difficulties

The obligations of the Keepwell Provider under the Keepwell Deed do not constitute a guarantee by the Keepwell Provider of the Borrower's obligations. Accordingly, although the Keepwell Provider has an obligation to keep the Borrower in sufficient funds to discharge its payment obligations under the Facility Agreement, the Keepwell Provider has no obligation to make payment on behalf of the Borrower under the Facility Agreement. Furthermore, even if the Keepwell Provider intends to provide financial support to the Borrower to meet its payment obligations under the Facility Agreement, depending on the manner in which the Keepwell Provider provides the financial support, such financial support may be subject to obtaining prior consents, approvals, registration and/or filings from relevant PRC governmental authorities and there is no assurance that these can be obtained in a timely manner or at all.

In addition, any claim by the Issuer against the Keepwell Provider in relation to the Keepwell Deed will be subordinated to all existing and future obligations of the Keepwell Provider's subsidiaries, and all claims by creditors of such subsidiaries will have priority to the assets of such entities over the claims of the Issuer under the Keepwell Deed.

The Issuer may only enforce the Keepwell Deed on behalf of the Borrower. The Keepwell Deed does not provide for direct action by, or right of remedy to, the Noteholders. Furthermore, and subject to the terms of the Keepwell Deed, the right of the Issuer to obtain any remedy, including specific performance, or to enforce the obligations of the Keepwell Provider under the Keepwell Deed may be subject to procedural and practical difficulties. For example, if a successful judgment against the Keepwell Provider under the Keepwell Deed was obtained from a Hong Kong court, the judgment of the Hong Kong court would have to be enforced in the PRC, where substantially all of the assets of the Keepwell Provider are located, subject to review and consent from the PRC court.

SAFE registration may be required in relation to the enforcement of the Keepwell Deed

Other than the SAFE registration requirement in relation to the Demand Guarantee as mentioned in “*Risks Relating to the Demand Guarantee*” above, SAFE registration will not be required in relation to the proceeds of the Loan or issuance of the Notes. However, in the future, if the Keepwell Deed is to be enforced, there may be SAFE registration required depending on the means which the Keepwell Provider will use to procure that the Borrower will receive adequate financial funding in such a way that the Borrower is capable of fulfilling all its payment obligations under the Facility Agreement. In the event that such SAFE registration is not completed in accordance with the applicable SAFE regulations, SAFE may impose a fine or other penalties on the Keepwell Provider. Consequently, the Issuer may not have sufficient funds to redeem or otherwise discharge its obligations under the Notes in time if the Borrower is unable to meet its repayment obligations under the Facility Agreement.

Risks Relating to the Business of the Borrower

The Borrower has no operating history and no other assets with limited sources of income

The Borrower is a newly-formed special purpose vehicle wholly-owned by the Keepwell Provider and has no operating history and no material assets. The source of income for the Borrower will be derived from the operating income of the overseas subsidiaries of the Parent Group. No assurances can be given that the Borrower will be profitable or that any particular or steady stream of return will be achieved. The Issuer will not engage in any business activity other than acting as a financing platform for the Borrower Group and the Parent Group and the borrowing of the Loan and other activities conducted in connection with the Loan and the Facility Agreement and other activities incidental or related to the foregoing. As such, the Borrower has, and will have, no substantial assets. Further, the Borrower does not have substantial business operations of its own. For risk factors applicable to the business performance of the subsidiaries of the Keepwell Provider, please see “*Risks relating to the Business of the Keepwell Provider and its subsidiaries*” below. There can be no assurance that the future income of the Borrower will be sufficient to allow it to discharge its interest and principal repayment obligations under the Facility Agreement.

Limited availability of public information on the Borrower

The Borrower is a private company, is not listed on any stock exchange and is not required under the laws of the British Virgin Islands and regulations to make periodical public announcements. Under the laws of the British Virgin Islands, the Borrower is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. Therefore there is less publicly available information about the Borrower than is regularly made available by public companies in certain other countries.

Risks relating to the Business of the Keepwell Provider and its subsidiaries (“Parent Group”)

The Parent Group may not be able to implement its growth strategy

The Parent Group’s success in implementing its growth strategies is determined by, amongst other factors:

- the general condition of the global, regional and local economies in which the Parent Group operates and continued growth in demand for seaborne and air transportation;
- the availability, terms and costs of any financing required to make an acquisition or complete expansion plans;
- the Parent Group’s ability in identifying, investing in and integrating suitable expansion targets;
- the Parent Group’s ability in optimising its asset portfolio;
- the Parent Group’s ability in improving its operating, financial and internal control systems; and
- the Parent Group’s ability in recruiting, training and retaining experienced and skilled management staff and crew.

The growth strategies of the Parent Group may not be implemented successfully, and such failure or inadequacy could give rise to adverse impact on the growth and development of its asset portfolio and business performance. There is no assurance that the Parent Group could successfully enter into and compete in the industries that it desires to consolidate

in or extend into. In the event that the Parent Group is unable to successfully implement its growth strategies, there may be a material adverse effect on the Parent Group's financial condition and results of operations.

Pirate attacks and hijacks, terrorist attacks, other acts of violence or war and adverse political developments may affect the Parent Group's performance

Due to the close connection between the Parent Group's container leasing and tanker business and the seaborne transportation sector in general, pirate attacks and hijacks could lead to adverse consequences in respect of the Parent Group's operations and financial conditions. The Parent Group's insurers may increase the amount of premiums payable by the Parent Group, and the Parent Group may also have to pay additional security costs in order to ensure that its vessels are protected from pirate attacks. In addition, certain routes and locations may be affected by pirate attacks, causing it to be difficult or impossible to transport cargoes through such routes and/or to such locations. Thus, the Parent Group's financial performance could be negatively affected.

Furthermore, wars and other armed conflicts in certain areas could cause property damage and business disruption to the Parent Group. Such conflicts could also negatively affect the ports of which the Parent Group's containers come in and out. Military breakouts may bring about uncertainties as to the global or regional political stability and economic conditions, thus causing a decrease in the volume of international trade in which containers are involved. The unforeseeability of such hostilities makes it difficult for the Parent Group to predict and assess the potential damage that may be caused to its business.

There are also possibilities that the Parent Group's aircrafts, leased containers or oil tankers become involved in terrorist attacks. On 29 June 2012, on the flight from Hetian to Urumqi, the flight crew successfully prevented a terrorist attack and handed six terrorists to the police. However, there can be no assurance that such events will not happen again. If such events take place, not only the Parent Group's property could be damaged or destroyed – the Parent Group's reputations in the relevant industry could also be severely harmed.

The occurrence of natural or other catastrophes, severe weather conditions or other acts of God may materially disrupt the Parent Group's operations

Droughts, storms, or other natural disasters, epidemics and other acts of God could, whether alone or together, lead to unfavourable consequences including personal casualty and damage of cargoes and maritime property, as well as business disruptions, thus resulting in loss of revenues, increased costs and decreased cash flow of the Parent Group. In recent years, a number of large-scale epidemics and natural disasters occurred globally including the outbreak of the Ebola virus disease in west Africa and the hurricane Sandy in the U.S.. These could adversely affect the general economic condition by reducing volume of international trade, and affect the business of the Parent Group by reducing the demands for materials and products. Any period of sustained disruption may have an adverse effect on the Parent Group's business, financial condition and results of operations. The Parent Group's ability to raise further funds and the prospect of future growth may also be adversely affected. If an outbreak of epidemics such as the avian flu occurs, the market may see a decrease in the demand for specific commodities such as chicken feed, thereby causing a drop in the needs for shipping services.

The Parent Group's business is highly dependent on general economic conditions and the volume of world trade

The success and profitability of the Parent Group's activities depend, in part, on global economic growth and demand for its services. The demand for the various products and services offered by the Parent Group is subject to different market cycles specific to such products and service, which in turn are affected by changes or developments in global economic and financial conditions (including currency rate movements) that are beyond the Parent Group's control.

Other external factors, such as the imposition of trade tariffs, sanctions, boycotts, trade and labour disputes and work stoppages, particularly in the marine transportation and financial services industries, which are events beyond the Parent Group's control, could adversely affect the businesses, financial condition and results of operations of the Parent Group. During the global economic downturn and the consequent decrease in consumer demand, even rigorously expanding economies such as China experienced a slowdown in its economic growth in the second half of 2008 and in 2009. Although the world's economy has recently seen signs of recovery, it is uncertain whether such recovery can be sustained in the future. Any recurrence of a global financial crisis, which could potentially be sparked by the recent market volatility attributed to concerns over several European countries and the United States, may cause a renewed slowdown in the world economy. The recurrence of adverse macroeconomic conditions is expected to have an adverse impact on the Parent Group's businesses, financial condition and results of operations.

For example, the global economic conditions have significant impact on the demand for and supply of leased containers and oil tanker capacity. The shipping industry is also highly cyclical and subject to seasonal fluctuations. During economic recessions and downturns in the international trade volume, demand for shipping products and services tend to decline, and the rates for container leasing and vessel chartering may also drop.

The Parent Group's ability to arrange for external financing and cost of such financing may be adversely affected by factors beyond its control

Most of the businesses that the Parent Group engages in, such as air passenger and cargo, airport, and property development and investment, are capital-intensive and require a substantial amount of capital for operations and expansion. The Parent Group's ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investors' confidence in the Parent Group, success of the Parent Group's businesses, provisions of tax and securities laws that may be applicable to the Parent Group's efforts to raise capital, and political and economic conditions in the PRC and elsewhere. For example, in respect of the Parent Group's property development and investment business, there is no assurance that the PRC government will not continue to limit its access to capital, flexibility and ability to use bank loans or other forms of financing to finance its property development and investment and that the Parent Group may not be able to secure adequate financing to fund its land acquisitions (including any unpaid land premium for past acquisitions), to finance its project construction or to renew its existing credit facilities prior to their expiration. The failure to do so may adversely affect the business, financial condition and results of operations of the Parent Group.

The growth of the Parent Group's business through acquisitions and joint ventures may not succeed and it may have difficulty in managing its international operations

The Parent Group has been actively seeking new profitable business opportunities in order to enhance its market share and competitiveness in its core business areas. The Parent Group's ability to grow through acquisitions and joint ventures will depend on, among other things:

- general market conditions;
- potential ongoing financial obligations and unforeseen or hidden liabilities of the Parent Group's acquisition targets or joint ventures;
- the availability of suitable acquisition targets and at acceptable prices;
- its ability to attract and reach agreement with acquisition targets or joint venture partners on commercially reasonable terms;
- whether the required governmental approvals will be granted; and
- the availability of financing, if needed, to complete acquisitions or joint ventures.

The benefits of an acquisition or joint venture transaction may take considerable time to develop. Such post-acquisition integration could place a significant strain on its managerial, operational and financial resources and there is no assurance that any particular acquisition or joint venture will achieve the intended benefits. Further, the success of such joint ventures is also dependent on current global economic conditions. For example, in a global economic downturn, the Parent Group's joint ventures may need to raise more funds in order to continue to meet their obligations and there is no assurance that such funds will be successfully raised. In addition, as the Parent Group is expanding internationally, it may encounter additional challenges due to lower level of familiarity with local regulatory and business environment in overseas markets. Foreign countries may also impose government controls, trade restrictions, trade tariffs and other laws and policies which may restrict the Parent Group's investment. Failure to implement its expansion strategy and effectively manage its multinational operations may adversely affect the Parent Group's business, financial condition and results of operations. Moreover, the PRC government may issue policies which could have a significant influence over many aspects of the economy from time to time. There is no assurance that the Parent Group's outbound investments and international operations will not be restricted or adversely affected by such policies in the future.

In addition, the Parent Group will review and optimise its business portfolio from time to time, including implementing exit plans for its investments in business segments, in accordance with its development strategies. There is no

assurance that the Parent Group will successfully implement its investment exit strategies and/or restructure its business portfolio in the future.

The Parent Group will take into account various factors such as the followings when reviewing its investment exit strategies:

- general market conditions;
- the availability of different methods of exit and the risks associated thereto;
- the projected investment gain, as updated during the entire lifecycle of the investment; and
- the impact on the Parent Group's financial results and cashflows.

In the event that the Parent Group is unable to make and implement investment exit decisions that adequately address its needs of business restructuring and optimisation, the Parent Group's business, financial condition, results of operation and prospects might be adversely affected.

The Parent Group may not have, or may be unable to maintain, adequate insurance coverage

The operation of the businesses of the Parent Group has an inherent risk of fire, collisions, explosions and other disasters, environmental pollution, cargo and property loss or damage, and business interruption caused by mechanical failure, human error, political action, labour strikes, adverse weather conditions and other circumstances or events. Any such incident may result in loss of revenue or increased costs. Some of these incidents may even result in personal casualty. The Parent Group has arranged for insurance coverage against certain of these risks in line with industry standards.

However, there can be no assurance that all potential risks including those on the Parent Group's members are adequately insured against, that any particular claim will be paid or that it will be able to procure adequate insurance coverage at commercially reasonable rates in the future. For example, the Parent Group's travel services business is exposed to risks of third parties' claims for harm or injury suffered or allegedly suffered in relation to the premises in which its offices and shops are located or the travel arrangement and products it sells to its customers. There is no assurance that its insurance policies are sufficient to cover all risks associated with its operations.

Generally, in relation to the logistics business of the Parent Group, it is also insured or has obtained indemnities in respect of certain damage and losses. However, such insurance and indemnities might not offer adequate coverage for protection against all related risks the Parent Group is exposed to. Due to the extensiveness and contingent nature of the potential costs and expenses relating to environmental issues, the Parent Group is not able to predict the ultimate cost of compliance or the impact on the resale value or useful lives of its container fleet.

The costs and availability of insurance may also fluctuate. The level of premium payable for the insurance purchased by the Parent Group could fluctuate and may rise significantly, causing it too expensive for the Parent Group to continue to be insured. Furthermore, there are certain risks to which the Parent Group's businesses are exposed that could not be insured due to lack of availability of insurance in the market. Such risks include, for example, those arising from the damage caused by wear and tear. The Parent Group has also not obtained insurance coverage for certain trading risks such as loss of revenue due to, for example, non-payment of receivables by containers lessees. In addition, stricter environmental regulations may result in increased costs for, or the unavailability of, insurance against the risks of environmental damage or pollution. The Parent Group's insurance policies contain certain standard deductibles, limitations and exclusions, including limitations and exclusions in respect to certain losses arising from acts of war, terrorism, malicious acts, nuclear force and wilful misconduct or fraud.

The Parent Group depends on its key senior management members and key senior officers and may have difficulty in attracting and retaining skilled employees

The Parent Group's success depends, to a significant extent, upon the abilities, expertise and efforts of its key senior management members and key senior officers and skilled employees in each of its business areas. If it loses the services of its key senior management members or key senior officers or skilled employees, the Parent Group may face difficulties in employing and integrating suitable replacement personnel in the short-term. The loss of the services of its key personnel or its inability to attract and retain qualified personnel in the future may have a material adverse effect on its business, financial condition and results of operations. In addition, if any of these key senior management

members or key senior officers joins a competitor or forms a competing company, the Parent Group may lose customers and suppliers and incur additional expense to recruit and train personnel.

Some of the Parent Group's businesses are in highly competitive industries

Some of the Parent Group's businesses are in highly competitive industries and the Parent Group's operations face competition from both international and local operators based on numerous factors specific to each of its core businesses. The Parent Group also competes with both local and international companies in capturing new business opportunities. Some of the Parent Group's competitors may have significant financial resources, marketing and other capabilities, more extensive local knowledge and business relationships and longer operational track records in the relevant local markets than the Parent Group. International competitors may also be able to capitalise on their overseas experience to compete in the PRC. For example, the Parent Group's travel services business competes with other hotels, travel agents and alternative travel booking media. The Parent Group's retail business also faces competition from domestic and international operators of department stores, supermarkets or other internet retail operators. While the Parent Group's air passenger business maintains a frequent flyer programme under the name, "Fortune Wings Club", the Parent Group is currently not a member of any major international airline alliance and there is no assurance that the Parent Group will be able to join any other alliance or strategic partnership in the near future. In addition, the Parent Group's air passenger, cargo and its airport businesses compete with other alternative modes of transportation such as rail, highways and sea routes for passenger and cargo transportation. China's plan to build an extensive intercity high-speed rail network by 2020 may further intensify the competition for passenger and freight traffic for short-haul travel. As a result, there can be no assurance that the Parent Group will be able to compete successfully in the future against its existing or potential competitors. Any failure of the Parent Group to compete successfully will have a material and adverse effect on the Parent Group's business, financial position, operating results and future prospects.

The Parent Group operates in highly regulated industries

Certain core businesses of the Parent Group, particularly the air passenger and cargo, logistics, airport, financial services and property development and investment businesses, are highly regulated. The international conventions, treaties, international and local laws, rules, regulations or policies applicable to the Parent Group's businesses may be subject to future change or amendments, or uncertainties regarding their interpretation and application. In order to comply with the existing and future conventions, treaties, laws and regulations, the Parent Group incurs, and expects to continue to incur, substantial costs in obtaining necessary authorisation, implementing operational changes to fulfil regulatory requirements, developing and maintaining international policies, procedures and training programmes and purchasing necessary insurance. Failure to comply with any of these conventions, treaties, laws, rules, regulations or policies may result in fines, restrictions on the Parent Group's business activities or, in extreme cases, suspension or revocation of the Parent Group's business licences, which could materially and adversely affect the Parent Group's business, financial position, operating results and prospects. In addition, any change or development in conventions, treaties, laws, rules, regulations or policies, or the interpretation of existing or future conventions, treaties, laws, rules, regulations or policies, including accounting policies and standards, could have a material and adverse effect on the Parent Group's business, financial position, operating results and prospects.

The Parent Group is subject to environmental protection laws

The Parent Group is subject to a variety of PRC environmental laws and regulations. For example, environmental protection standards set out in certain laws and regulations including but not limited to Environmental Protection Law of the PRC, Law of the PRC on Noise Pollution Prevention and Control, Law of the PRC on Water Pollution Prevention and Control, Law of the PRC on Air Pollution Prevention and Control and Law of the PRC on Solid Waste Pollution Prevention and Control are applicable to its airport business. The aircraft engine noise created by approaching and departing aircrafts using the Sanya Phoenix International Airport and other airports operated by the Parent Group may exceed the prescribed level applicable to areas around airports. There is no assurance that the Parent Group may not face claims for noise pollution in the future. In respect of its property development and investment business, each project the Parent Group develops is required to undergo environmental assessments and it is required to submit an environmental impact assessment report to the relevant governmental authorities for approval before commencement of its construction. There is no assurance that the Parent Group will not violate any environmental laws and regulations and subject to any liabilities, fines, compensation or suspension of business for violations of such laws and regulations, which could have a material adverse effect on the Parent Group's business, financial conditions and results of operations.

The Parent Group may be involved in legal and other proceedings arising from its operations from time to time

The Parent Group is subject to legal proceedings and claims in the course of operations, arising from personal injury, property damage, contractual disputes, environmental issues and non-compliance with laws or regulations. If the Parent Group is unsuccessful in defending any legal proceeding, or is unsuccessful in settling any legal proceeding on commercially reasonable terms, the Parent Group may be liable to pay amounts of damages or face penalties or sanctions that may have a material adverse effect on the Parent Group's business and operations. In addition, whilst the Parent Group has purchased and/or required its customers (such as container lessors) to purchase liability insurance, there is no assurance by the Parent Group that such insurance coverage is sufficient to eliminate potential loss and damage caused by such proceedings.

Nevertheless, the Parent Group believes that no current or potential claims of which it is aware will have a material adverse effect on its consolidated financial position, results of operations or cash flows. For details, please refer to the paragraph headed "Legal Proceedings" in the section titled "Description of the Parent Group".

If the Parent Group is unsuccessful in defending ourselves in legal proceedings and receive an adverse judgment, such an judgement may have a material adverse effect on the Parent Group's operating results

If the Parent Group is sued in a court and is unsuccessful in defending itself, it may be forced to make a payment of a large amount money for the claim, which may have a material adverse effect on its operating results. The Parent Group is currently involved in legal proceedings with Shagang Shipping Company Limited ("**Shagang Shipping**") involving disputed claims of U.S.\$66.4 million. See the paragraph headed "Legal Proceedings" in the section titled "Description of the Parent Group". While the Parent Group believes that the it has legitimate defence, there is no assurance that it will be able to successfully defend itself in the lawsuit. If the Parent Group is unsuccessful in defending itself, it may be forced to pay a significant amount of money to the opposite party.

Failure to obtain and renew all relevant approvals, licences and permits may adversely affect the Parent Group's business, financial condition and results of operations

The Parent Group requires various approvals, licences and permits for its businesses. However, there is no assurance that the Parent Group could obtain or renew all relevant approvals, licences and permits required for its operation in the PRC during the entire course of its operation. For example, civil airports in the PRC are subject to extensive regulations by the Civil Aviation Administration of China ("**CAAC**"), which also incorporates relevant international treaties in relation to many aspects of their operations, including without limitation, technical standards of airfield facilities, air traffic and equipment and ground safety. The Parent Group's hotel management business is also required to comply with certain national and local government regulations in the PRC relating to the operation of the hotels, such as health and safety standards, and the preparation and sale of food and beverages. As a precondition to engaging in real estate property development in the PRC, a property developer must obtain a qualification certificate and renew it on an annual basis unless the rules and regulations allow a longer renewal period. In addition, to develop and complete a property project, it must apply for various licences, permits, certificates and approvals, including land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and certificates of completion, at the relevant government departments. Before the government issues any certificate or permit, the Parent Group must first meet specific conditions. Any failure to obtain or renew relevant approvals, licences and permits in a timely manner may have an adverse effect on the Parent Group's future operations, expansion and financial performance.

The Parent Group may be adversely affected by third-party related factors

The success of the Parent Group depends upon the services provided by other third parties. For example, the range of travel products its travel services business can offer to the market is also dependent on its ability to source and be granted access to the services of travel suppliers. However, in the event of inadequate support by its suppliers, the Parent Group would have to source from alternative travel suppliers for travel products. There is no assurance that such travel products may be sourced on equally commercially acceptable terms. Besides, the Parent Group's property development and investment business engages third-party contractors to provide various services, including construction, landscaping, gardening, equipment installation, interior decoration, mechanical and electrical installation and utilities installation. There is no assurance that any such third-party contractor will always provide satisfactory services of the quality required by the Parent Group. If the performance of any third-party contractor is not satisfactory, it may need to replace such contractor or take other remedial actions, which could adversely affect the cost and development schedule of its projects. All of these third-party related factors may have an adverse impact on the reputation, credibility, financial position and business operations of the Parent Group.

The Parent Group's profit is partly contributed by dividends paid by its portfolio companies and the Keepwell Provider may not have complete control over dividend policies of some of these companies

The Keepwell Provider is a holding company and relies principally on its subsidiaries, both wholly-owned and non-wholly owned, associates and jointly controlled entities to pay dividends, distributions or interest to it for its performance of payment obligations under the Keepwell Deed. The Keepwell Provider may not exercise complete control over dividend or other policies of some of its portfolio companies which it has a minority interest. The shareholders or the board of directors of some of the portfolio companies may determine not to pay dividends but retain the earnings for their own operations or expansion. There is no assurance that the Keepwell Provider will be able to receive sufficient cash flow from its portfolio companies in order to satisfy its obligations under the Keepwell Deed.

The Keepwell Provider's accounts were audited in accordance with the accounting standards for business enterprises in the PRC ("PRC Accounting Standards") which may be different from International Financial Reporting Standards ("IFRS"). The Keepwell Provider's auditors has no affiliation with any international accounting authority and they have limited international capital markets experience

The Keepwell Provider's audited reports for the years ended 31 December 2014 and 2015 were prepared in accordance with the Accounting Standards for Business Enterprises ("ABSE") issued by the Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of ABSE and other relevant regulations issued thereafter. Although PRC Accounting Standards are substantively in line with IFRS, PRC Accounting Standards are, to a certain extent, different from IFRS. See "Differences between PRC Accounting Standards and International Financial Reporting Standards". There is no guarantee that the PRC Accounting Standards will fully converge with IFRS or there will be no additional differences between the two accounting standards in the future. Potential investors should consult their own professional advisers for an understanding of any differences that may exist between PRC Accounting Standards and IFRS, and how those differences might affect the financial information included in this Offering Circular.

Each of the Keepwell Provider's current independent auditors, 中興財光華會計師事務所 (ZhongXingCaiGuangHua Certified Public Accountants LLP), and previous auditors, Peking Certified Public Accountants is a registered member of The Chinese Institute of Certified Public Accountants; and has no affiliation with any international accounting authority or firm. Although each of Peking Certified Public Accountants and 中興財光華會計師事務所 (ZhongXingCaiGuangHua Certified Public Accountants LLP) has significant audit experience in the PRC, it has limited international capital markets experience. Prospective investors should consider these factors prior to making any investment decision.

Any adverse public health developments, including SARS, avian flu or influenza A ("H1N1"), or the occurrence of natural disasters may, among other things, lead to reduced levels of economic activity in the affected areas, which may in turn significantly reduce demand for the Parent Group's services and have an adverse effect on its financial condition and results of operations

Adverse public health epidemics or pandemics could disrupt businesses and the national economy of China and other countries where the Parent Group does business. For example, the outbreak of Severe Acute Respiratory Syndrome, or SARS, in early 2003 led to a significant decline in travel volume and business activities and substantially affected businesses in Asia. Moreover, some Asian countries, including China, have recently encountered incidents of the H5N1 strain of avian flu, many of which have resulted in fatalities. In addition, the outbreak of influenza A (H1N1), a highly contagious acute respiratory disease, in March 2009 has had an adverse influence on the air passenger and cargo, airport and travel services industries globally (including the Parent Group). If there were another outbreak of a disease that affects travel behaviour and consumption pattern in the future, it could adversely affect the Parent Group's business operations.

Natural disasters, such as earthquakes, snowstorms, floods, volcanic eruptions or tsunamis may disrupt or seriously affect various activities of the Parent Group. Hainan Island, one of the locations for the operations of the core businesses of the Parent Group, experiences typhoons, particularly during the third quarter of each year. Besides, in 2010, a number of large-scale natural disasters occurred globally, such as earthquakes in Haiti, Mexico and Qinghai province of China, and the volcanic eruption in Iceland in April 2010. In March 2011, Japan experienced a powerful earthquake, triggering a violent tsunami and seriously damaging the Fukushima nuclear power plant. All of these natural disasters adversely affected the air passenger and cargo, airport and travel services industries by reducing revenues and affecting travel behaviour and affected the retail business of the Parent Group by reducing the supply of materials and products. Any period of sustained disruption may have an adverse effect on the Parent Group's business, financial condition and results of operations.

Risks associated with foreign exchange may adversely affect the Parent Group's profitability

The Parent Group's business operations span internationally; entities within the Parent Group are exposed to foreign exchange risks from future commercial transactions and monetary asset and liabilities that are denominated in a currency that is not the entity's functional currency. Fluctuations in exchange rates could negatively impact the Parent Group's costs in investments in foreign operations and capital commitments, and in other business transactions such as shipbuilding contracts. The Parent Group does not currently maintain any regular hedging policy. It manages its foreign currency risks by closely monitoring the movement of the foreign currency rates and will consider entering into forward foreign exchange contracts to reduce the risks should the need arise in the future.

RISKS RELATING TO PARENT GROUP'S AIR PASSENGER AND CARGO BUSINESS

Any aviation fuel shortages or any increase in domestic or international aviation fuel prices may adversely affect the Parent Group's air passenger and cargo business

The availability of aviation fuel has a significant influence on the Parent Group's financial condition and results of operations. In the past, aviation fuel shortages have occurred in the PRC and, on some rare occasions prior to 1993, required the Parent Group to delay or cancel flights. Although aviation fuel shortages have not occurred since the end of 1993, there can be no assurance that aviation fuel shortages will not occur in the future. If such a shortage occurs in the future and the Parent Group is forced to delay or cancel flights due to a fuel shortage, its operational reputation among passengers as well as the results of its operations may suffer.

In addition, aviation fuel costs constitute a significant portion of the Parent Group's operating costs. As such, the Parent Group is sensitive to aviation fuel prices. Aviation fuel prices are susceptible to, among other factors, political unrest in various parts of the world, the policies of the Organisation of Petroleum Exporting Countries, the rapid growth of the economies of certain countries, including the PRC and India, the levels of fuel inventory carried by industries, the amounts of reserves built by governments, disruptions to production and refining facilities and weather conditions. These and other factors that affect the global supply and demand for aviation fuel are out of the Parent Group's control. In particular, the recent political uncertainty in the Middle East continues to cause fluctuations in aviation fuel prices and may result in increases in aviation fuel prices. Due to the highly competitive nature of the air passenger and cargo industry and government regulation on airfare pricing and the level of aviation fuel surcharges, the Parent Group may be unable to fully or effectively pass on to its customers any increased aviation fuel costs that it may encounter in the future, which could negatively affect its financial condition and results of operations.

The Parent Group's failure to maintain a high utilisation rate for each aircraft may adversely affect its profitability and reputation

One of the key elements of the Parent Group's profitability is to maintain a high utilisation rate for each aircraft. This is achieved in part by reducing turnaround time at airports. However, the Parent Group may in its operations suffer from inferior quality infrastructure and facilities of less developed airports which would affect operational efficiency and delay turnaround time of the aircraft. This would affect the Parent Group's ability to maximise aircraft utilisation and could adversely affect its financial results. Pursuing new routes and increasing flights on current routes could also increase the risk of delays in the Parent Group's flight schedule.

High aircraft utilisation also increases the risk that, in the event that an aircraft falls behind schedule during the day, it will remain behind schedule for the rest of the day, which can disrupt timely operations and lead to passenger dissatisfaction. Therefore, such delays may reduce the Parent Group's operational efficiency and utilisation rate, adversely affecting its profitability and reputation.

There is no assurance that the Parent Group will maintain a high utilisation rate for each of its aircraft. If the Parent Group fails to maintain a high utilisation rate for each aircraft, its profitability and reputation may be adversely affected.

The air passenger and cargo industry is capital-intensive and characterised by a high degree of operating leverage

The air passenger and cargo industry is capital-intensive. The costs of maintaining its aircraft fleet, including payments made in connection with aircraft leases, and keeping them in good repair may be unpredictable and capital requirement for expanding such fleet may be significant. The size of the aircraft fleet of the Parent Group may decrease as each aircraft is for a specific period of time and it may not be able to replace with suitable aircraft on commercially acceptable terms. Besides, the air passenger and cargo industry is also generally characterised by a high degree of

operating leverage. The expenses relating to the operation of any given flight do not vary proportionately with the number of passengers carried, while revenues generated from a particular flight are directly related to the number of passengers carried and the fare structure of such flight. Due to the competitive nature of the air passenger and cargo industry, the Parent Group may not be able to transfer all of its costs to its customers through higher ticket prices. Accordingly, a decrease in revenues could result in a disproportionately greater decrease in net income.

Airport, transit and landing fees and security charges, along with other costs airlines must pay to ensure air traffic security, may increase further

Airport, transit and landing fees, along with security charges and costs, represent a significant portion of the operating costs of the Parent Group and directly affect the fares that it must charge its passengers in order to operate cost effectively. There can be no assurance that such costs will not rise in the future or that the Parent Group will not incur additional costs. New costs could arise if, for example, airports levied noise or landing charges or fees based on environmental criteria such as aircraft noise or emission levels, or if airlines were required to assume additional security responsibilities. Future events or developments, such as terrorist acts or other conflicts, could also result in heightened security regulations for air traffic. Any of these developments could cause operating costs to increase. If the Parent Group is unable to pass on increases in fees, charges or other costs to its customers, these increases could have a material adverse effect on its business, financial condition and results of operations.

The Parent Group's reputation and business could be adversely affected in the event of an emergency, accident or incident involving the Parent Group's aircraft

The Parent Group is exposed to potential significant losses in the event that any of its aircraft is subject to an emergency, accident, terrorist incident or other disaster, and significant costs related to passenger claims, repairs or replacement of a damaged aircraft and its temporary or permanent loss from service. There can be no assurance that the Parent Group will not be affected by such events or that the amount of its insurance coverage will be adequate if such circumstances arise and any such event could cause a substantial increase in the Parent Group's insurance premiums. In addition, any future aircraft accidents or incidents, even if fully insured, may create a public perception that the Parent Group is less reliable or safe than other airlines, which could have an adverse impact on the Parent Group's reputation and business, financial condition and results of operations.

RISKS RELATING TO THE PARENT GROUP'S AIRPORT BUSINESS

The Parent Group's airport business is dependent on the development of its air traffic destinations as tourist destinations

Substantially all of the air traffic using the airports of the Parent Group is destination traffic, rather than transit traffic. For example, Hainan, as a renowned tourist island, attracts a lot of international and domestic tourists every year. Hainan competes with other Southeastern Asian destinations such as Hong Kong, Macau, Thailand and Singapore for tourist arrivals and departures. Any factors that could enhance the attractiveness, convenience or affordability of these destinations relative to Hainan or the air traffic destinations served by the Parent Group, or a change in arrival patterns of tourists in the PRC, could have an adverse effect on the Parent Group's business, financial condition and results of operations.

The Parent Group's airport business is dependent on domestic and regional economic growth

Similar to other countries, the Chinese civil aviation industry is dependent on the level of domestic, regional and global economic growth, international trade and consumer spending. During periods of robust economic growth, passenger movements may grow at a rate as great as, or even greater than, that of the gross domestic product ("GDP"). On the other hand, during periods of slow GDP growth, passenger throughput may exhibit slow or even negative growth. The civil aviation sectors of most Asian countries, including China, were negatively affected by the slowdown in economic growth during the global financial crisis in 2008, leading to reduced load factors among airlines and decreases in passenger throughput and aircraft movements at airports. There can be no assurance that future fluctuations of the economic or business cycle or other events that could influence GDP growth will not have an adverse effect on the Parent Group's business, financial condition and operating results.

Construction risks which are beyond the Parent Group's control may adversely affect business

A number of airport expansion and renovation projects which may be undertaken at the Sanya Phoenix International Airport and other airports operated by the Parent Group in the future may require substantial capital expenditure during

their construction and it may take many months, or possibly years, until the projects completed. The time taken and the costs incurred in completing an expansion or renovation project can be adversely affected by many factors including without limitation, shortages of materials, equipment, technical skills and labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors and sub-contractors, accidents, changes in government priorities and policies, delays in receiving the requisite licences, permits and approvals from relevant authorities and unforeseen problems and circumstances. Any of these factors could give rise to delays in the completion of a project and result in costs exceeding those initially budgeted. The failure to complete the construction of a project to its planned specifications or schedule may result in the liabilities being assumed, reduced efficiency or loss of revenue or less attractive returns to the Parent Group.

RISKS RELATING TO THE PARENT GROUP'S TRAVEL SERVICES AND HOTEL MANAGEMENT BUSINESSES

The Parent Group's travel services and hotel management businesses are subject to seasonality factors

The travel services and hospitality industries are inherently seasonal. Sales and price of packages and services, hotel room and restaurant revenues, occupancy levels and room rates will normally be higher for holiday seasons and lower for off-peak seasons. Higher revenues are normally generated during festive holidays including without limitation, New Year, Chinese New Year, Easter, Christmas and the Spring Festival Golden Week and National Day Golden Week in China, when more travellers tend to go on holidays. The Parent Group's operating results may therefore be subject to fluctuations due to seasonality factors from time to time.

Refurbishments or further development of the Parent Group's existing properties may result in cost overruns or disruptions of its hotel operations

In order to improve and maintain the conditions of its hotels, the Parent Group may conduct refurbishments of its hotels from time to time. These refurbishments may be more costly than expected and are subject to risk of delays and cost overruns. In addition, even though the operations of hotels under refurbishment or development may not need to be closed down entirely, there may be instances where refurbishment or development would seriously disrupt hotel operations and adversely affect the revenues of the relevant hotels. The disruptions and other risks associated with refurbishments and further development or the Parent Group's failure to improve and maintain the conditions of the hotels could have an adverse effect on its business, financial condition and results of operations.

The Parent Group's hotel management business relies on the reputation of its brand names and protection of its intellectual property rights

Over the years, the Parent Group has developed distinctive brands for different types of hotels including without limitation, "TANGLA". The success of the Parent Group's hotel management business depends on the reputation of these brand names. The Parent Group has registered some of its brand names as trademarks. However, the brand names of the Parent Group are susceptible to imitation and infringement and there is no assurance that no third party will copy or otherwise obtain and use such trademarks without its authorisation. In the event of imitation and infringement, there may be an adverse impact on the Parent Group's business reputation and performance. Customers may believe that other hotels using the same brand names are related to the Parent Group's hotels, and customers recognition of and confidence in its brands may be negatively impacted if any services or amenities offered in such other hotels are below the standards offered by the hotels of the Parent Group.

RISKS RELATING TO THE PARENT GROUP'S RETAIL BUSINESS

Shortages or unavailability of products demanded by customers due to disruptions to its supply chain may adversely affect the Parent Group's retail business

The Parent Group needs to maintain sufficient inventory of its products to meet the demands of its customers, and any failure to do so could materially and adversely affect its business and profitability and damage its reputation. Should the supply of products be disrupted, the Parent Group may not be able to procure products of equal quality on equally competitive terms, if at all. Such disruption to supply may materially and adversely affect its business, profitability and reputation.

It cannot be assured that the Parent Group will not incur losses nor there will not be material write-offs due to shortages or unavailability of particular products demanded by its customers due to disruptions to its supply chain, which may result in increased costs or reduced sales and may materially and adversely affect its competitiveness, financial

condition and results of operations.

The Parent Group's retail business is dependent on the renewal of existing leases for its retail shops on commercially reasonable terms

When the Parent Group expands its retail network by adding new retail shops or supermarkets or department stores, availability of retail space at desirable locations and on acceptable terms is one of the key factors that the Parent Group would consider. In addition, significant investments are made in the external and internal decorations and improvement of the retail shops. The Parent Group is cautious in the selection of its retail shops, and the Parent Group takes into account factors such as the convenience and accessibility of the sites to its target customer groups, the expected pedestrian traffic flow and the degree of surrounding competition. In the event that the Parent Group is not able to renew any of its existing leases, or that any of its leases are terminated for any reason prior to their expiration, the Parent Group will need to relocate to alternative premises or shut down its operations at those premises.

Upon expiration of the lease agreement for each of its leased premises, the Parent Group will need to negotiate the terms and conditions on which the lease agreement may be renewed. It cannot be assured that the Parent Group will be able to renew its lease agreements on terms and conditions which are favourable or otherwise acceptable to it, or at all. In such case, the Parent Group may need to seek an alternative site to relocate the existing supermarkets, department stores or other retail shops. It cannot be assured that such alternative site will be at a comparable location or can be leased on comparable terms. In addition, relocation of any part of its operations may cause disruptions to its business and requires significant expenditure. The Parent Group may have to pay significantly higher rent which may materially and adversely affect its business, financial condition and results of operations.

Failure to anticipate and provide the appropriate mix of merchandise to satisfy customer tastes and demands may adversely affect the business, financial condition and results of operations of the Parent Group

The Parent Group's retail business maintains a comprehensive selection of merchandise targeting a broad range of customers. The success of its business depends on its ability to maintain a comprehensive selection of products and retail outlets and, at the same time, anticipate and respond in a timely manner to changing customer demands and preferences. Customer demands and consumption patterns in the PRC are changing at a rapid pace and customer acceptance of new products is affected by a number of factors, including prevailing economic conditions, disposable income, global lifestyle trends, price, functionality, technology, appearance and many other factors. If the Parent Group fails to accurately foresee or quickly adjust to general trends in consumer demands and preferences, its business, financial condition and results of operations may be materially and adversely affected.

The Parent Group is subject to third party intellectual property rights

In the event that the Parent Group or its rental tenants sell merchandise which infringes third party intellectual property rights at its supermarkets, department stores or other retail shops, the Parent Group, as a retailer, may be found liable for the infringement and be compelled to discontinue the sale of the offending merchandise and/or pay damages or other fines.

The Parent Group's inspection team, which inspects the merchandise it sourced from its suppliers upon delivery, may not be able to detect merchandise or acts that infringe the intellectual property rights of third parties. In the event that the Parent Group purchases and subsequently re-sells merchandise that infringes the intellectual property rights of third parties, it may be subject to investigation and its reputation may suffer. The Parent Group may bring claims against its suppliers or rental tenants responsible for the infringing merchandise to recover any losses that it has suffered. However, it cannot be assured that the Parent Group will be able to recover, partially or fully, all losses caused by these suppliers and in particular, it may not be able to fully recover the losses to compensate the damage such infringement may have on its reputation, which may have a material adverse effect on its business, financial condition and results of operations.

RISKS RELATING TO THE PARENT GROUP'S PROPERTY DEVELOPMENT AND INVESTMENT BUSINESS

The Parent Group may not always be able to obtain land reserves that are suitable for development

To have a steady stream of developed properties available for sale and a continuous growth in the long term, the Parent Group has to replenish and increase its land reserves that are suitable for development. Its ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond its control. The

availability of substantially all of the land in China is controlled by the PRC government. Thus the PRC government's land policies have a direct impact on its ability to acquire land use rights for development and its costs of acquisition. In recent years, the PRC central and local governments have also implemented various measures to regulate the means by which property developers obtain land for property development. The PRC government also controls land supply through zoning, land usage regulations and other means. All these measures further intensify the competition for land in the PRC among property developers. For example, subsequent re-zoning by the PRC government may adversely affect the ability of the Parent Group to obtain land use rights. If the Parent Group fails to acquire sufficient land reserves suitable for development in a timely manner and at acceptable prices, its prospects and competitive position may be adversely affected and its business strategies, growth potential and performance may be materially adversely affected.

The policies, regulations and measures of the PRC government to discourage speculation and prevent overheating of the property market may adversely affect the Parent Group's property development and investment business

The Parent Group's property development and investment business is susceptible to changes in the regulatory measures and policy initiatives implemented by the PRC government.

Over the past few years, the PRC government has introduced tightening measures to curtail the overheating of the PRC property market, including without limitation:

- requiring any first-time home owner to pay a minimum down-payment of 30% of the purchase price of the premises if the premises has a unit floor area of less than 90 square meters and the purchase is buying the premise as a primary residence;
- requiring any second-time home owner to pay a minimum down-payment of 60% of the purchase price of the premises and an increased minimum mortgage loan interest rate at 110% of the relevant PBOC benchmark bank lending interest rate;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of properties of which the construction completion has not been approved; (ii) increasing the minimum down-payment to 50% of the purchase price of the premises; (iii) increasing the minimum mortgage loan interest rate at 110% of the relevant PBOC benchmark bank lending interest rate; and (iv) limiting the terms of such bank borrowings to a maximum of 10 years;
- for a buyer of commercial/residential dual-purpose properties, increase the minimum amount down-payment to 45% of the purchase price of the property; and
- imposing more restrictions on the types of property developments that foreign investments may engage in.

If a property developer fails to commence development of a property project within the stipulated period as required under the current PRC laws, the relevant PRC land bureau may serve a warning notice on it and impose an idle land fee of up to 20% of the land premium unless such failure is caused by a government action or a force majeure event. The Notice on Promoting Economization of Land Use issued by the State Council in January 2008 further confirmed the idle land fee at 20% of the land premium. If a property developer fails to commence such development for more than two years, the land is subject to forfeiture to the PRC government unless the delay in development is caused by government actions or force majeure. Even if the commencement of the land development complies with the land grant contract, if the developed gross floor area on the land is less than one-third of the total gross floor area of the project or if the total capital expenditure is less than 25% of the total investment of the project and the suspension of the development of the land is more than one year without government approval, the land will still be treated as idle land.

Certain municipal governments also introduced various tightening measures to further curtail the overheating of the local property market, including without limitation, restricting non-local residents to purchase local premises and, introducing trial rules on personal property tax. The PRC government's restrictive measures may limit the Parent Group's access to capital, reduce market demand and increase the Parent Group's operating cost in adapting to these measures. There is no assurance that the PRC government will not adopt additional and more stringent measures, which may further curtail the development of the industry in general and adversely affect the Parent Group's property development and investment business, financial condition and results of operations.

The Parent Group may not be able to complete its development projects on time or at all

Property development projects require substantial capital expenditures prior to and during the construction period and

construction of a property project may take many months or several years before it generates positive cash flow through pre-sales or sales. Meanwhile, the progress and cost for a development project can be adversely affected by many factors, including:

- delays in obtaining necessary licenses, permits or approvals from governmental agencies or authorities;
- relocation of existing residents and/or demolition of existing structures;
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents;
- natural catastrophes; and
- adverse weather conditions.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedules or budgets as a result of the above factors may adversely affect its results of operations and financial position and may also cause damage to reputation.

The Parent Group's failure to meet all requirements for the issue of property ownership certificates may lead to compensatory liability to its customers

According to PRC law, property developers must meet various requirements within 90 days after delivery of property for the customers to apply for property ownership certificates, including passing various governmental clearances, formalities and procedures. A property developer usually stipulates the delivery dates in its sales contracts to leave sufficient time for it to complete the formalities and obtain the relevant approvals. However, there is no assurance that there will not be delays in the Parent Group's property development projects. There may also be factors beyond its control that may delay the delivery of property ownership certificates, including shortage in human resources at various governmental offices and time-consuming inspections and approval processes at various government agencies. Under current PRC laws and regulations, a property developer is required to compensate its customers for delays in its deliveries. Any serious delays on one or more property projects will adversely affect the business and reputation of the Parent Group.

RISKS RELATING TO THE PARENT GROUP'S FINANCIAL SERVICES BUSINESS

The Parent Group's asset management revenue and earnings from its financial services business could decline if the investments it manages perform poorly, its clients withdraw assets it manages on short notice, or if the Parent Group loses clients

Investment performance affects the assets under the Parent Group's management, which is one of the most important factors in retaining clients and competing for new asset management business. Market volatility and limitations in investment options and hedging strategies in the PRC could limit the Parent Group's ability to provide stable returns for its clients and cause it to lose clients. Poor investment performance could adversely affect its revenue and growth because:

- existing clients might withdraw funds from its asset management business in favour of better performing products provided by its competitors, which would result in lower management fees for us;
- clients may request that it lowers its fees for asset management services, particularly in an intensely competitive industry;
- its incentive fees, which are based on a percentage of investment returns, would decline; and
- firms with which it has strategic alliances may terminate such relationships with it, and future strategic alliances may be unavailable.

In addition, the Parent Group may not be able to keep or increase its assets under management due to increased

competition from insurance companies, banks and other competitors, which would adversely affect its results of operations and financial condition.

The success of the financial services business is dependent on the proper functioning and improvement of information technology systems

The operation of the Parent Group's financial services business is highly dependent on the proper functioning and continued improvement of its information technology systems.

The Parent Group's information technology systems may be vulnerable to disruptions caused by, among others, software or hardware failure, data corruption, computer viruses, hackers, insufficient processing power or network failure. Such disruptions may result in loss of data and interruption, delay or cessation in the financial services provided by the Parent Group and/or loss of confidential information. The Parent Group may be required to bear the loss resulting from such disruption and may be subject to warnings, fines and punishments from the relevant regulatory authorities, which in turn could have a material and adverse effect on the Parent Group's business, financial position, operating results and future prospects.

As a result of the expansion of the Parent Group's financial services business and rapid advances in information technology, the Parent Group will be required to upgrade its computer systems on a timely and cost-effective basis to maintain its competitiveness. However, there can be no assurance that the Parent Group would be able to continuously upgrade its computer systems effectively or on a timely manner to cope with increasing demand and advances in technology or that no disruption will occur in the course of upgrading the Parent Group's computer systems. As a result, the failure to maintain and upgrade the relevant computer systems may have a material effect on the Parent Group's business, financial position, operating results and future prospects.

The Parent Group's financial services business is susceptible to the operational failure of third parties

The Parent Group faces the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries it uses to facilitate its securities transactions. Any operational failure or termination of the particular financial intermediaries that it uses could adversely affect its ability to effect transactions, serve its clients and manage its risk exposure. In addition, as its interconnectivity with its clients grows, it will increasingly face the risk of operational failure with respect to its clients' systems.

The financial services business may be materially adversely affected if the Parent Group fails to maintain effective or adequate risk management and internal control systems

The Parent Group has established risk management and internal control systems and procedures. Certain areas within its risk management and internal control systems may require constant monitoring, maintenance and continued improvements by its senior management and staff. Its businesses and prospects may be materially and adversely affected if its efforts to maintain these systems are proved to be ineffective or inadequate. Deficiencies in its risk management and internal control systems and procedures may adversely affect its ability to record, process, summarise and report financial and other data in an accurate and timely manner and adversely impact its ability to identify any reporting errors and non-compliance with rules and regulations.

The Parent Group's internal control system may contain inherent limitations caused by misjudgment or fault. As a result, there is no assurance that its risk management and internal control systems are adequate or effective notwithstanding its efforts, and any failure to address any internal control matters and other deficiencies could result in investigation and disciplinary actions or even prosecution being taken against it or its employees, disruption to its risk management system, and material and adverse effects on its financial condition and results of operations.

Risks Relating to the PRC

Fluctuations in exchange rates

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate significantly and is affected by, among other things, the domestic and international economies, political conditions and the supply and demand of currency. Under current government policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in an appreciation in the value of the Renminbi against the U.S. dollar. It is possible that the PRC government could adopt a more flexible currency policy,

which could result in further and more significant revaluations of the Renminbi against the U.S. dollar or any other foreign currency.

Although the Issuer itself has no exposure to currency fluctuations, any fluctuations in the value of the Renminbi as against major currencies may affect the ability of (a) the Borrower to make timely repayments under the Facility Agreement, (b) the Keepwell Provider to honour its obligations under the Keepwell Deed, and (c) the Demand Guarantor to fulfil any demands made under the Demand Guarantee.

Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC government could adversely affect CCB's operations

CCB is based in the PRC and its assets are substantially located in the PRC. Therefore, the results of its operations, financial condition and prospects are, to a significant degree, affected by the economic, political, legal developments and government policies in the PRC. As the rating of the Notes are heavily reliant on the rating of CCB, economic, political and social changes in the PRC which affect the business of CCB may in turn affect its rating and the rating ascribed to the Notes.

During the recent global financial crisis and economic slowdown, the growth of the PRC's GDP has slowed. Global economic conditions are still comparatively unstable and uncertain and while it is projected that the PRC economy will continue to grow in the years to come there is no assurance that it will be able to sustain or replicate the growth rate it has experienced in the past. If the PRC's economy experiences a decrease in the growth rate or a significant downturn, the unfavourable business environment and economic conditions for the Guarantor's customers could materially and adversely affect the financial condition and results of the Guarantor. Additionally, changes in market conditions and pattern of economic growth, as well as reform and consolidation of industries may affect various PRC industries and businesses, which in turn may adversely affect CCB's operations and financial conditions.

Furthermore, although the PRC's economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling foreign exchange, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented economic reform measures emphasizing the use of market forces to drive economic development. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, while some of these measures may benefit the overall PRC economy, others may also have a less positive impact on the country's economy and may negatively affect various industries and businesses across the PRC, including CCB's customers.

The PRC legal system is constantly evolving and has inherent uncertainties that could limit available legal recourse

PRC procedural and substantive laws may differ from comparable provisions of the local laws of jurisdictions with which the Noteholders are familiar. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. The interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, and may not be as consistent or predictable as in other more developed legal systems. These uncertainties may impede the ability of the Facility Agent or the Security Agent (as the case may be) to enforce the Demand Guarantee. In addition, any litigation in the PRC may be protracted and result in incurring substantial costs and time.

The PRC imposes foreign exchange control and its current policies allowing purchasing of foreign exchange with Renminbi to repay foreign exchange denominated foreign debt may alter in the future

Despite a significant reduction of control by the PRC government over cross-border foreign exchange transactions, the PRC government continues to regulate conversion between the Renminbi and foreign currencies. Although currently the PRC regulations permit an onshore entity to purchase foreign exchange with Renminbi for the purpose of remittance out of the PRC to repay foreign exchange-denominated foreign debt, the Issuer cannot assure that new PRC regulations will not be promulgated which have the effect of restricting or eliminating the purchase of foreign exchange with Renminbi and remittance of foreign exchange into or outside the PRC. Further, the Keepwell Provider's ability to procure that the Borrower will receive adequate financial funding under the Keepwell Deed will be subject to foreign exchange control measures, including SAFE's foreign exchange control rules, then in place.

The Keepwell Provider may not be able to maintain its pilot status under the National Development and Reform Commission (“NDRC”) pilot programme and the NDRC may change the method of calculating the remaining quota

NDRC runs a pilot program pursuant to which companies on the pilot list may borrow foreign debt offshore or issue notes offshore without obtaining prior NDRC filing / approval for so long as the amount is within their approved annual quota but post-deal NDRC filing is required to be done within a stipulated time period. Although the Keepwell Provider is one of the 21 pilot companies on the NDRC pilot list and will utilise its pilot status to make a post-NDRC filing, there is no guarantee that NDRC will change its policy that will reverse its practices. In addition, although the Keepwell Provider represents that it has sufficient remaining annual quota to cover the amount of the Notes, there is no guarantee that NDRC will calculate the amount differently such that the amount of the Notes will exceed the remaining quota of the Keepwell Provider. Further, if the Keepwell Provider exceeds the remaining quota or fails to perform the required post-deal NDRC filing within the stipulated time period, there may be penalties imposed by the NDRC which may adversely affect the financial condition of the Keepwell Provider.

USE OF PROCEEDS

The Issuer will apply all proceeds of the issuance of the Notes amounting to U.S.\$200,000,000 towards the purchase of the Receivables under the Loan Purchase Agreement for an amount of U.S.\$200,000,000 (as the “**Initial Purchase Price**”).

RATING OF THE NOTES

It is a condition of the issuance of the Notes that the Notes are assigned a rating of not lower than "A" by the Rating Agency.

A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment, if any, or the receipt of default interest and may be subject to revision, qualification or withdrawal at any time by the assigning rating organisation.

TERMS AND CONDITIONS OF THE NOTES

The following (other than the words in italics) is the text of the Terms and Conditions of the Notes substantially in the form in which it will appear on the reverse of each of the definitive certificates evidencing the Notes:

The issue of U.S.\$200,000,000 2.874 per cent. Fixed Rate Secured Notes due 2020 (the “**Notes**”) was authorised by a resolution of the Board of Directors of HNAG Funding Limited (the “**Issuer**”) passed on 22 December 2016. The Notes are constituted by a trust deed (the “**Trust Deed**”) dated on or about 24 February 2017 (the “**Closing Date**”) between the Issuer and DB Trustees (Hong Kong) Limited as trustee for the holders of the Notes (the “**Trustee**” which expression shall include all persons for the time being the trustee or trustees under the Trust Deed). 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 certificates evidencing the Notes. A transaction administration agreement dated the Closing Date (the “**Transaction Administration Agreement**”) has been entered into in relation to the Notes between, among others, the Issuer, DB Trustees (Hong Kong) Limited (in such capacity, the “**Security Trustee**”, which term shall include all persons for the time being the security trustee or security trustees under the security trust deed), the Trustee, Deutsche Bank AG, Hong Kong Branch (the “**Transaction Administrator**” which term shall include any successor transaction administrator) and China Construction Bank Corporation, Hong Kong Branch as facility agent (the “**Facility Agent**” which term shall include any successor facility agent), security agent (the “**Security Agent**” which term shall include any successor security agent) and account bank (the “**Account Bank**” which term shall include any successor account bank). An agency agreement dated on or about the Closing Date (the “**Agency Agreement**”) has been entered into in relation to the Notes between the Issuer, the Trustee, Deutsche Bank AG, Hong Kong Branch as principal paying agent (in such capacity, the “**Principal Paying Agent**” which term shall include any successor principal paying agent) and as registrar (in such capacity, the “**Registrar**” which term shall include any successor registrar), any paying agents (in such capacity, a “**Paying Agent**” which term shall include any successor paying agent), any transfer agents (in such capacity, a “**Transfer Agent**” which term shall include any successor transfer agent) and any other agents named in it. “**Agents**” means the Principal Paying Agent, the Registrar, the Paying Agents, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Notes. Copies of the Trust Deed, the Transaction Administration Agreement and the Agency Agreement are available for inspection upon prior written request during normal business hours at the specified offices of the Trustee and the Principal Paying Agent. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Security Trust Deed and the Trust Deed and are deemed to have notice of all the provisions of the Transaction Administration Agreement and the Agency Agreement applicable to them.

1 Form, Denomination and Title

- (a) **Form and denomination:** The Notes are issued in registered form, in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an “**Authorised Denomination**”). A certificate (each, a “**Definitive Certificate**”) will be issued to each holder of Notes in respect of its registered holding of Notes. Each Definitive Certificate shall be numbered serially and shall have an identifying number which shall be recorded on the relevant Definitive Certificate and in the register of holders of the Notes (the “**Register**”).

*Upon issue, the Notes will be evidenced by a global certificate (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream, Luxembourg. The Conditions are modified by certain provisions contained in the Global Certificate.*

Except in the limited circumstances described in the Global Certificate, owners of interests in Notes evidenced by the Global Certificate will not be entitled to receive Definitive Certificates in respect of their individual holdings of Notes. The Notes are not issuable in bearer form.

- (b) **Title:** Title to the Notes shall pass only by transfer and registration of title in the Register. The holder of any Note shall, except as otherwise required by law, be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing (other than the endorsed form of transfer) on, or the theft or loss of, the Definitive Certificate issued in respect of it), and no person shall be liable for so treating the holder. In these Conditions, “**Noteholder**” and (in relation to a Note) “**holder**” shall mean the person in whose name a Note is registered in the Register (or in the case of a joint holding, the first named thereof).

2 Status

The Notes constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable law and subject to Condition 4, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

3 Transfers of Notes and Issue of Definitive Certificates

- (a) **Register:** The Issuer will cause the Register to be kept at the specified office of the Registrar (which shall be outside the United Kingdom in all circumstances) and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers of the Notes. Each Noteholder shall be entitled to receive only one Definitive Certificate in respect of its entire holding of Notes.
- (b) **Transfers:** Subject to the Agency Agreement and Conditions 3(e) and 3(f) herein, a Note may be transferred by delivery of the Definitive Certificate issued in respect of that Note, with the form of transfer endorsed on such Definitive Certificate duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any Transfer Agent. No transfer of title to a Note will be valid unless and until entered on the Register. In respect of any such transfer, the Registrar, the Transfer Agent and/or the Issuer shall be entitled to request any information as to the source of payment used by any such transferee for purchasing the Note or otherwise as may be required to permit the Issuer to discharge its obligations under the laws of the Cayman Islands.

Transfers of interests in the Notes evidenced by the Global Certificate will be effected in accordance with the rules of the relevant Clearing Systems.

- (c) **Delivery of new Definitive Certificates:** Each new Definitive Certificate to be issued upon a transfer of Notes will, within seven (7) business days (as defined below) of receipt by the Registrar or, as the case may be, any Transfer Agent of the Definitive Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Notes but free of charge to the holder and at the Issuer's expense to the address specified in the form of transfer. The form of transfer is available at the specified offices during the normal office hours between 9:00 am to 3:00 pm (local time) of the Registrar and the Transfer Agents.

Where only part of a principal amount of the Notes (being that of one or more Notes) in respect of which a Definitive Certificate is issued is to be transferred (which shall be an Authorised Denomination), a new Definitive Certificate in respect of the Notes not so transferred (which shall be an Authorised Denomination) will, within seven (7) business days of delivery of the original Definitive Certificate to the Registrar or any Transfer Agent, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

In this Condition 3, "**business day**" shall mean a day (other than a Saturday, Sunday or public holiday) on which banks are open for business in the city in which the specified office of the Registrar or (as the case may be) such Transfer Agent with which a Definitive Certificate is deposited in connection with a transfer or exchange is located.

- (d) **Formalities free of charge:** Registration of a transfer of Notes and issuance of new Definitive Certificates will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon (i) payment (or the giving of such indemnity and/or security and/or prefunding as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar or (as the case may be) the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the Registrar or (as the case may be) the relevant Transfer Agent

being satisfied that the regulations concerning transfer of Notes referred to in paragraph (f) below have been complied with.

- (e) **Closed periods:** No Noteholder may require the transfer of a Note to be registered during the period of (i) seven (7) days ending on (but excluding) the due date for any payment of principal in respect of that Note, (ii) during the period of ten (10) days ending on (and including) any Record Date (as defined in Condition 8(a)), or (iii) after any such Note has been called for redemption.
- (f) **Regulations:** All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes, the initial form of which is scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the Noteholder and at the Issuer's expense) by the Registrar to any Noteholder upon written request and is available during normal office hours between 9:00 am to 3:00 pm (local time) at the specified offices of the Registrar and each Transfer Agent.

4 Security and Negative Pledge

- (a) **Security:** The obligations of the Issuer to the Noteholders under the Notes and the Trust Deed are secured by security interests (the “**Security**”) pursuant to the Security Documents including:
 - (i) a first ranking security assignment (the “**Security Assignment**”) given by the Issuer in favour of the Security Trustee over (x) all its rights, title, interest and benefit (present and future, actual and contingent) in, to and under the Facility Agreement, the Demand Guarantee and the Keepwell Deed; (y) all proceeds arising under the Demand Guarantee, and (z) all its rights, title, interest and benefit (present and future, actual and contingent) in, to and under each Transaction Document and any other agreement or document incidental or ancillary to the Transaction Documents to which the Issuer is a party; and
 - (ii) a first ranking charge (the “**Accounts Charge**”) given by the Issuer in favour of the Security Trustee of all its rights, title, interest and benefit (present and future, actual and contingent) in and to all sums of money which may now be or hereafter are from time to time standing to the credit of each and all of the Issuer Accounts and any other bank accounts in which the Issuer may at any time acquire any right, title or interest or benefit in respect of the Notes, together with all interest accruing from time to time thereon and the debts represented thereby.
- (b) **Enforcement:** If there has been an Acceleration Event or in any other event where the Security becomes enforceable, the Trustee may, in accordance with the provisions of these Conditions, the Trust Deed and the Security Documents, instruct the Security Trustee to enforce the Security. Each of the Trustee and the Security Trustee shall not be bound to take any such proceedings or action, unless it is indemnified and/or secured and/or prefunded to its satisfaction.
- (c) **Application of proceeds:** Under the Security Documents and the Trust Deed, all moneys received by the Security Trustee and the Trustee in connection with the realisation or enforcement of the Security will, regardless of any appropriation of all or part thereof by the Issuer, be held by the Security Trustee and the Trustee on trust and applied pursuant to the Transaction Administration Agreement in accordance with the Security Documents and the Trust Deed respectively.
- (d) **Discharge:** Subject to the terms of the relevant Security Document, upon the Security Trustee being satisfied that all security obligations have been irrevocably paid in full, the Security Trustee shall at the request and cost of the Issuer discharge the Security.
- (e) **Negative pledge:** Notwithstanding the provisions set out in Clause 6.15 (*Restrictions*) of the Trust Deed, so long as any Note remains outstanding (as defined in the Trust Deed), except for the Security over the Secured Property, the Issuer will not 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 the Notes (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other security as either (x) the Trustee may in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (y) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) (an “**Extraordinary Resolution**”) of the Noteholders.

In these Conditions:

- (i) “**Account Bank**” means China Construction Bank Corporation, Hong Kong Branch and its successors and assigns;
- (ii) “**Account Bank Agreement**” means the account bank agreement dated on or about the Closing Date between the Issuer, the Transaction Administrator and the Account Bank.
- (iii) “**Borrower**” means HNA Group Overseas Finance 1 Limited;
- (iv) “**Demand Guarantee**” means the demand guarantee (as may be amended from time to time) dated 24 January 2017 issued by China Construction Bank Corporation, Hainan Branch (the “**Demand Guarantor**”) in relation to the Facility Agreement and up to an amount of U.S.\$207,000,000;
- (v) “**Facility Agent**” means China Construction Bank Corporation, Hong Kong Branch and its successors and assigns;
- (vi) “**Facility Agreement**” means the Facility Agreement dated 20 February 2017 (as may be amended from time to time) between, among others, the Original Lender, the Borrower, the Security Agent and the Facility Agent in relation to a term loan of up to U.S.\$200,000,000 (the “**Loan**”);
- (vii) “**Issuer Accounts**” means the note payment account and the note expense account of the Issuer, each as an interest bearing account in the name of the Issuer with the Account Bank pursuant to the terms of the Account Bank Agreement;
- (viii) “**Issuer Administrator**” means Walkers Fiduciary Limited and its successors and assigns;
- (ix) “**Keepwell Deed**” means the keepwell deed dated on or about 20 February 2017 entered into by HNA Group Co., Limited (the “**Keepwell Provider**”) in favour of each finance party under the Facility Agreement;
- (x) “**Loan Purchase Agreement**” means the loan receivables purchase agreement dated on or about the Closing Date between, among others, the Issuer and the Original Lender;
- (xi) a “**Note Event of Default**” means any of the events set out in Condition 10;
- (xii) “**Original Lender**” means China Construction Bank Corporation, Hong Kong Branch, including its successors and assigns;
- (xiii) “**Relevant Indebtedness**” means any indebtedness 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 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;
- (xiv) “**Secured Parties**” means the Security Trustee for itself and on behalf of the Trustee (for itself and on behalf of the Noteholders), the Agents, the Account Bank, the Transaction Administrator, the Facility Agent, the Security Agent and the Issuer Administrator;
- (xv) “**Secured Property**” means the assets, shares, rights, interests and benefits from time to time which are, or expressed to be, the subject of the Security Documents;
- (xvi) “**Security Agent**” means China Construction Bank Corporation, Hong Kong Branch and its

successors and assigns;

- (xvii) **“Security Documents”** means the Security Trust Deed, the Security Assignment, the Accounts Charge and any other document designated as a Security Document by the Issuer and the Security Trustee;
- (xviii) **“Security Trust Deed”** means the security trust deed dated on or about the Closing Date between the Issuer and the Security Trustee;
- (xix) **“Security Trustee”** means DB Trustees (Hong Kong) Limited as security trustee (for itself and on behalf of the other Secured Parties) and its successors and assigns;
- (xx) **“Transaction Administration Agreement”** means the transaction administration agreement dated on or about the Closing Date between, among others, the Transaction Administrator and the Issuer;
- (xxi) **“Transaction Administrator”** means Deutsche Bank AG, Hong Kong Branch and its successors and assigns;
- (xxii) **“Transaction Documents”** means the Trust Deed, the Account Bank Agreement, the Agency Agreement, the Loan Purchase Agreement, the Security Documents, the Transaction Administration Agreement, the Notes and any other document designated as a Transaction Document by the Issuer and the Security Trustee; and
- (xxiii) **“USD”** means the lawful currency for the time being of the United States of America.

5 Interest

- (a) **Interest Payments:** The Notes bear interest on their outstanding principal amount from and including the Closing Date. Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Definitive Certificate evidencing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (ii) the day seven (7) days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).
- (b) **Note Payment Dates:** Interest will be payable on the Notes semi-annually in arrear on 4 August and 4 February of each year, provided that:
 - (i) the first note payment date will be 4 August 2017;
 - (ii) if the Notes have not been previously redeemed in full, the final note payment date shall be the Expected Maturity Date (or, if applicable, the Legal Maturity Date); and
 - (iii) if any note payment date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless that day falls in the next calendar month, in which case it shall be brought forward to the immediately preceding Business Day,(each such note payment date, as so adjusted for Business Days, being a **“Note Payment Date”**).
- (c) **Interest Periods:** Interest on the Notes will be payable by reference to successive interest periods (each, an **“Interest Period”**). The initial Interest Period will commence on (and include) the Closing Date and end on (but exclude) 4 August 2017. Each successive Interest Period (other than the final Interest Period) will commence on and include the last day of the immediately preceding Interest Period and end on (but exclude) the 4th day of the month falling 6 calendar months from such commencement date, so that each Interest Period will end on (but exclude) 4 August or 4 February of any given year. If the Notes have not been previously redeemed in full, the final Interest Period will

commence on (and include) the last day of the Interest Period ending in July 2019 and end on (but exclude) the Expected Maturity Date (or, if applicable, the Legal Maturity Date).

- (d) **Rate of interest:** The rate of interest payable in respect of the Notes will be 2.874 per cent. per annum.
- (e) **Determination of Interest Amounts:** The amount of interest for each Note (the “**Interest Amount**”) will be calculated by reference to the principal amount of the relevant Note then outstanding as at the first day (taking into account all payments (if any) of the principal amount of the Note on such day) of such Interest Period, on the basis of the interest rate for that Interest Period and a year of 360 days with 12 30-day months and rounding the resulting figure down to the nearest U.S. cent.
- (g) **Definitions:** In these Conditions:

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in Beijing, Hong Kong and New York.

6 [This condition is intentionally deleted.]

7 Redemption and Purchase

- (a) **Final redemption:** Unless previously redeemed, the Notes will be redeemed in full (and not in part), to the extent of funds available in accordance with the priority of payments set forth in the Transaction Administration Agreement, at their principal amount, together with accrued interest, on the Expected Maturity Date. The Notes may not be redeemed at the option of the Issuer.

If insufficient funds are available to redeem the Notes in full at their principal amount, together with accrued interest, on the Expected Maturity Date, the Issuer will redeem, in accordance with the priority of payments set forth in the Transaction Administration Agreement, the Notes in full at their principal amount, together with accrued interest, on the Legal Maturity Date.

- (b) **Early Redemption:** Following a Loan Acceleration or a Loan Prepayment under the Facility Agreement, the Issuer will redeem the Notes in full, in accordance with the priority of payments set forth in the Transaction Administration Agreement, on the Early Redemption Date at the Early Redemption Amount as at such date.
- (c) **Cancellation:** All Notes redeemed will be cancelled by the Paying Agent or the Registrar to whom such Notes are presented for redemption, or surrender, and may not be resold or reissued.
- (d) **Certain definitions:** For the purposes of these Conditions:
 - (i) “**Early Redemption Amount**” means, on any date, an amount equal to the sum of (i) the principal amount of the Notes outstanding as at such date (ii) accrued interest thereon to, but excluding, such date, and (iii) any Early Redemption Fee;
 - (ii) “**Early Redemption Date**” means the date falling nine (9) Business Days after the earlier of (i) the date on which the acceleration in full of the Loan pursuant to terms of the Facility Agreement occurs and (ii) the date on which the Loan becomes due for repayment pursuant to a Loan Prepayment, as notified to the Transaction Administrator by the Facility Agent;
 - (iii) “**Early Redemption Fee**” means an additional amount equivalent to the Early Termination Fee (as defined in the Facility Agreement);
 - (iv) “**Expected Maturity Date**” means the day falling seven (7) Business Days prior to the Legal Maturity Date;
 - (v) “**Legal Maturity Date**” means 4 February 2020;
 - (vi) “**Loan**” means, as the context requires, the loan made or to be made under the Facility Agreement or the principal amount outstanding for the time being of that loan;

- (vii) “**Loan Acceleration**” means the acceleration in full of the Loan pursuant to terms of the Facility Agreement; and
- (viii) “**Loan Prepayment**” means the mandatory prepayment of the Loan pursuant to terms of the Facility Agreement.

8 Payments

(a) **Method of Payment:**

- (i) Payments of principal shall be made (subject to surrender of the relevant Definitive Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Notes evidenced by such Definitive Certificates) in the manner provided in paragraph (ii) below.
- (ii) Interest on each Note shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Note shall be made in USD either by transfer to the registered account of the Noteholder or by cheque drawn on a bank that processes USD payments and mailed to the holder (or in the case of a joint holding, the first named thereof) of such Note at its address appearing in the Register.
- (iii) For the purposes of this Condition 8, a Noteholder’s “**registered account**” means the USD account maintained by or on behalf of it with a bank that processes USD payments, details of which appear on the Register at the close of business on the fifth Payment Business Day before the due date for payment.
- (iv) If the amount of principal being paid upon surrender of the relevant Definitive Certificate is less than the outstanding principal amount of Notes evidenced by such Definitive Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Noteholder) issue a new Definitive Certificate at the Issuer’s expense with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) **Payment initiation:** Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated, and where payment is to be made by cheque, the cheque will be mailed, on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal where the relevant Definitive Certificate has not been surrendered or presented at the specified office of any Paying Agent or of the Registrar, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Definitive Certificate is surrendered.

(c) **Payments subject to fiscal laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) **Appointment of Agents:** The Principal Paying Agent, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Agents act solely as agents of the Issuer (or, in certain circumstances specified in the Trust Deed, the Trustee) and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case, as approved by the Trustee.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Noteholders.

- (e) **Delay in payment:** Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Payment Business Day or if the Noteholder is late in surrendering or cannot surrender its Definitive Certificate (if required to do so).
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Note is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment or if a cheque mailed in accordance with Condition 8(a)(ii) arrives after the due date for payment.

In this Condition 8, “**Payment Business Day**” means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business in Beijing, New York and Hong Kong, the place in which the specified office of the Principal Paying Agent is located and (if surrender of the relevant Definitive Certificate is required) the relevant place of presentation.

9 Taxation

- (a) All payments of principal, interest and Early Redemption Fee by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law or made for or on account of FATCA.
- (b) If any such withholding or deduction is required by law or made for or on account of FATCA, the Issuer shall make such payments in accordance with Condition 8 after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any of the Agents (or any other party) will be obliged to make any additional payments to the holders of the Notes in respect of such withholding or deduction.
- (c) Each Noteholder (which for the purpose of this section shall include any beneficial owner of an interest in a Note) shall timely furnish the Issuer or any other authorised delegate of the Issuer any U.S. federal income tax form or certification (such as IRS Form W-9 (Request for Taxpayer Identification Number and Certification), IRS Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individual)), IRS Form W-8BEN-E (Certificate of Status of Beneficial Owner for United States Tax Withholding and Reporting (Entities)), IRS Form W-8IMY (Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or certain U.S. Branches for United States Tax Withholding and Reporting), IRS Form W-8EXP (Certificate of Foreign Government or Other Foreign Organization for United States Tax Withholding and Reporting), or IRS Form W-8ECI (Certificate of Foreign Person’s Claim That Income Is Effectively Connected With the Conduct of a Trade or Business in the United States), or any successors to such IRS forms) that the Issuer or any such delegate may reasonably request, and any documentation, agreements, certifications or information that is reasonably requested by the Issuer or any such delegate (A) to permit the Issuer or any other authorised delegate of the Issuer to make payments to it without, or at a reduced rate of, deduction or withholding, (B) to enable the Issuer or its agents to qualify for a reduced rate of withholding or deduction in any jurisdiction from or through which the Issuer or its agents receive payments, and (C) to enable the Issuer or its agents to satisfy reporting and other obligations under the Code and U.S. Treasury Regulations, FATCA or any other law and shall update or replace such documentation and information as appropriate or in accordance with its terms or subsequent amendments, and acknowledges that the failure to provide, update or replace any such documentation or information may result in the imposition of withholding or back-up withholding upon payments to such Noteholder. Amounts withheld pursuant to applicable tax laws shall be treated as having been paid to such Noteholder by the Issuer. In addition, each Noteholder agrees that the Issuer may provide information to the IRS, the Tax Information Authority of the Cayman Islands or any other non-U.S. taxing authority regarding such Noteholder’s investment in the Notes, including any information relevant to the Issuer’s FATCA Compliance.

- (d) Each Noteholder shall comply fully and in a timely manner with the Noteholder Reporting Obligations.

“**Code**” means the US Internal Revenue Code of 1986, as amended.

“**CRS**” means the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard.

“**FATCA**” means:

- (a) sections 1471 to 1474 of the Code or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the United States and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above of this definition;
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above of this definition with the US Internal Revenue Service, the United States government or any governmental or taxation authority in any other jurisdiction; or
- (d) any treaty, law, regulation, instruction or other official guidance analogous to paragraphs (a) or (b) of this definition enacted or amended in any other jurisdiction from time to time, and any agreement pursuant to the implementation of any such treaty, law, regulation, instruction or other official guidance with any governmental or taxation authority in any jurisdiction.

“**Noteholder Reporting Obligations**” means the obligations of each holder, purchaser, beneficial owner and subsequent transferee of a Note or interest therein, by acceptance of a Note or an interest in a Note, to provide the Issuer (or its authorised agent) any information and certification to be provided by such holder, purchaser, beneficial owner or subsequent transferee to the Issuer (or an agent of the Issuer) that is required:

- (a) to be requested by the Issuer (or an agent of the Issuer) or that is otherwise helpful or necessary (in all cases, in the sole discretion of the Issuer to enable the Issuer to achieve FATCA Compliance and compliance with the UK/Cayman AIEA and the CRS; and
- (b) to update or correct such information or certification, as may be necessary or helpful (in the sole determination of the Issuer or its agents, as applicable) to achieve FATCA Compliance and compliance with the UK/Cayman AIEA and the CRS.

“**UK/Cayman AIEA**” means the automatic information exchange agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Cayman Islands to Improve International Tax Compliance dated 5 November 2013 and related implementing legislation in the Cayman Islands.

10 Note Events of Default

If any of the following events occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least one third in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest (the giving of such notice being an “**Acceleration Event**”):

- (a) **Non-Payment:** there has been a failure to pay the principal, interest or any Early Redemption Fee within two (2) Business Days after the same has become due and payable;
- (b) **Breach of other obligations:** there has been a material default by the Issuer in the performance or observance of any other obligation, condition, provision, representation or warranty binding upon or made by it under the Notes or the other Transaction Documents, and such material default, if capable of being remedied or cured, is not remedied or cured within two (2) Business Days. For the avoidance of doubt, “material default” as used in this paragraph (b) shall refer to any material default

by the Issuer that is likely to result in any non-payment by the Issuer under the Notes;

- (c) **Enforcement proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or, a material part of the property, assets or revenues of the Issuer and is not discharged or stayed within 30 days of having been so levied, enforced or sued out;
- (d) **Insolvency:** the Issuer is (or 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 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 the debts of the Issuer;
- (e) **Winding-up:** an administrator is appointed, an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer, or the Issuer ceases or threatens to cease to carry on all or, substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Noteholders;
- (f) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Transaction Documents; or
- (g) **Analogous events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (c) to (f) of this Condition 10.

11 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within ten (10) years (in the case of principal or Early Redemption Fee) or five (5) years (in the case of interest) from the appropriate payment dates in respect of them.

12 Limited Recourse and No Petition

- (a) **Limited Recourse:** Recourse against the Issuer, and the liability of the Issuer, in relation to its obligations under the Notes and the Transaction Documents, shall be limited at all times to the amounts from time to time available in accordance with, and in the order of priorities set out in clause 5 (“Payments”) of the Transaction Administration Agreement. Accordingly, no Noteholder (or other Secured Party) shall have any claim or recourse against the Issuer in respect of any amount which is or remains, or will remain, unsatisfied when no further amounts are receivable or recoverable in respect of the Secured Property and all funds comprising the Secured Property and/or representing the proceeds of realisation thereof have been applied in accordance with the provisions of the Transaction Documents, and any unsatisfied amounts shall be waived and extinguished and the Notes shall cease to be outstanding. In addition, where compliance with the obligations imposed on the Issuer under any Transaction Document would require the expenditure by the Issuer of its own funds, the obligations of the Issuer shall be limited to the extent that it is put in funds to meet such expenditure.
- (b) **No Petition:** No Noteholder shall have the right to take any action to commence any case, proceedings, proposal or other action under any existing or further law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganisation, arrangement in the name of insolvency proceedings, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to the Issuer or the debts of the Issuer, *provided that*, nothing in this paragraph (b) shall:
 - (i) prevent the Trustee or the Security Trustee from initiating any proceedings for the purpose of enforcing the obligations of the Issuer under the Transaction Documents or from obtaining a declaratory judgment as to the obligations of the Issuer under the Transaction Documents owed to any Noteholder (provided that no action is taken to enforce or implement such judgment); or
 - (ii) prevent any Noteholder from lodging a claim in any action as aforesaid which is initiated by any person (other than the Trustee).

- (c) **Corporate obligations:** The Issuer's obligations are corporate obligations of the Issuer and no Noteholder shall have any recourse against any of the directors, officers or employees of the Issuer for any claims, losses, damages, liabilities, indemnities or other obligations whatsoever in connection with any transactions contemplated by any Transaction Document.

13 Replacement of Definitive Certificates

If any Definitive Certificate is mutilated or defaced or alleged to be lost, stolen 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 or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity, pre-funding and otherwise as the Issuer and/or such Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

14 Meetings of Noteholders and Modification

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Trustee or the Issuer, and shall be convened by the Trustee if requested in writing by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding and is indemnified and/or secured and/or pre-funded to its satisfaction. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. of the aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or evidenced, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, any premium payable in respect of, or interest on, the Notes, (iii) to change the currency of payment of the Notes, (iv) to modify the definition of "Noteholders" in the Security Trust Deed, (v) to modify any Security Document in a manner which would affect the nature or the scope of the Secured Property, (vi) to modify the Security Trust Deed to vary the manner in which the proceeds of enforcement of the Security are distributed by the Security Trustee, (vii) to modify clause 6.35 ("Directions from Trustee") of the Security Trust Deed, (viii) to modify any Security Document in a manner which would or is likely to have a material adverse effect on the Security, (ix) to instruct the Issuer to exercise a right of acceleration or prepayment under the Facility Agreement, or (x) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. 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 Noteholders.

- (b) **Modification and waiver:** The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of these Conditions or any of the provisions of any Transaction Document or the Notes which is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of any Transaction Document or the Notes which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders. The Security Trustee may agree, without the consent of the Trustee or the Secured Parties, to any

modification to the Security Documents which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of applicable law.

- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 14) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

15 Provision of Information

Each Noteholder (and any beneficial owner of an interest in a Note) shall provide any forms, certifications and other documentation reasonably requested by (or on behalf of) the Issuer, any Agent or a taxing authority in order to enable the Issuer or such Agent to comply with FATCA or to determine the amount to deduct and withhold from any such payments. For the avoidance of doubt, such documentation may include, inter alia, identifying information (residence, citizenship, telephone number) about such holder or owner as well as identifying information about equity holders in such holder or owner.

16 Enforcement

At any time after the occurrence of an Acceleration Event, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Notes (including without limitation, instructing the Security Trustee pursuant to Condition 4(b)), but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one third in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

17 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment 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 Borrower, the Demand Guarantor, the Keepwell Provider and any entity related to any of them without accounting for any profit.

The Trustee may rely without liability to Noteholders on any report, confirmation, opinion or certificate or any advice of accountants, lawyers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, opinion or certificate or advice and such report, confirmation, opinion or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed or these Conditions to exercise any discretion or power, take or refrain from any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from any such action, making any such decision or giving any such direction, to seek directions from the Noteholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Borrower, the Demand Guarantor, the Keepwell Provider, the Noteholders 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 as a result of seeking such direction from the Noteholders or in the event that no direction is given to the Trustee by the Noteholders.

None of the Trustee, the Security Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Borrowers, the Demand Guarantor, the Keepwell Provider and any other person appointed by the Issuer, the Borrower, the Demand Guarantor and/or the Keepwell Provider in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the

Issuer, the Borrower, the Demand Guarantor or the Keepwell Provider to the contrary, the Trustee, the Security Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee, the Security Trustee or any Agent shall be liable to any Noteholder or any other person for any action taken by the Trustee, the Security Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee and the Security Trustee shall be entitled to rely on (i) (in the case of the Trustee) any direction, request or resolution of Noteholders given by holders of the requisite principal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed; and (ii) (in the case of the Security Trustee) any notice or instruction from the Trustee. Neither the Trustee, the Security Trustee nor any of the Agents shall be under any obligation to ascertain whether any Acceleration Event has occurred or monitor compliance by the Issuer, the Borrowers, the Demand Guarantor or the Keepwell Provider with the provisions of the Transaction Documents or these Conditions.

18 Notices

Notices to Noteholders will be valid if (a) made in writing in English and mailed to them by uninsured mail at the Issuer's expense at their addresses in the Register maintained by the Registrar; or (b) published at the Issuer's expense in a leading English language daily newspaper having general circulation in Asia (which is expected to be The Wall Street Journal Asia). The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Notes are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, any notice to the holders of the Notes shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

19 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

20 Governing Law

- (a) **Governing Law:** The Trust Deed, the Agency Agreement, the Security Documents (other than the Accounts Charge which is governed by Hong Kong law) and the Notes 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.
- (b) **Jurisdiction:** The courts of England are to have non-exclusive jurisdiction to settle any disputes, which may arise out of or in connection with the Trust Deed, the Agency Agreement, the Security Documents (other than the Accounts Charge which is subject to the jurisdiction of the courts of Hong Kong) and the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Agency Agreement, each Security Document and the Notes ("**Proceedings**") may be brought in such courts. Pursuant to the aforementioned documents, the Issuer irrevocably submits to the jurisdiction of such courts.
- (c) **Agent for Service of Process:** Pursuant to the Trust Deed, the Agency Agreement, the Transaction Administration Agreement and the Security Documents (other than the Accounts Charge pursuant to which the Issuer has irrevocably appointed an agent in Hong Kong), the Issuer has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Notes.
- (d) **Waiver of Immunity:** The Issuer has, pursuant to the Trust Deed, the Agency Agreement, the Transaction Administration Agreement and the Security Documents, waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

THE FACILITY AGREEMENT

Following the assignment of the Original Lender's rights under the Facility Agreement to the Issuer pursuant to the Loan Purchase Agreement, the Issuer shall be the sole lender ("**Lender**") under the Facility Agreement. The key provisions of the Facility Agreement are set out below.

Facility Type Term loan facility (the "**Facility**")

Facility Amount U.S.\$200,000,000 (the "**Facility Amount**")

Final Maturity Date 4 February 2020 (the "**Final Maturity Date**")

Purpose The Borrower shall ensure that all amounts borrowed by it under the Facility are applied solely towards:

- (a) satisfying the daily cashflow requirements of the Borrower and the Group's offshore affiliates and payments in connection with the purchase of aviation materials and relevant maintenance fees; and

- (b) the payment of all fees in connection with the Loan.

Interest Period

- (a) Subject to the provisions of Clause 9 (*Interest Periods*) of the Facility Agreement, each Interest Period shall be six (6) months.
- (b) The first Interest Period for the Loan shall commence on (and include) the Utilisation Date and end on (but exclude) 4 August 2017.
- (c) Each successive Interest Period shall commence on (and include) the last day of the immediately preceding Interest Period and end on (but exclude) the 4th day of the month falling six (6) calendar months from such commencement date, so that each Interest Period will end on (but exclude) 4 August or 4 February of any given year.
- (d) The final Interest Period shall commence on (and include) 4 August 2019 and end on (but exclude) the Final Maturity Date.
- (e) An Interest Period for the Loan shall not extend beyond the Final Maturity Date.

"**Utilisation**" means the utilisation of the Facility.

"**Utilisation Date**" means the date of the Utilisation, being the date on which the Loan is made or to be made.

Loan "**Loan**" means, as the context requires, the loan made or to be made under the Facility Agreement or the principal amount outstanding for the time being of the loan.

Interest Rate "**Interest Rate**" means 2.874 per cent. per annum.

Payment of Interest

- (a) On each Interest Payment Date the Borrower shall pay accrued interest on the Loan.
- (b) For the avoidance of doubt, notwithstanding that each Interest Payment Date falls before the last day of the Interest Period relating to it, the Borrower agrees that the interest payable on each Interest Payment Date shall be calculated on the basis of the entire Interest Period relating to that Interest Payment Date (as opposed to the interest payable up to that Interest Payment Date).

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in Beijing, Hong Kong and New York.

"**Interest Payment Date**" means the Business Day which is the tenth (10th) Business Day (for

the avoidance of doubt, in inverse chronological order) prior to the Interest Payment Reference Date in relation to the last day of each Interest Period.

“**Interest Payment Reference Date**” means, in relation to the last day of each Interest Period,

- (a) if the last day of such Interest Period is a Business Day, that last day; or
- (b) if the last day of such Interest Period is not a Business Day, the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is no such next Business Day in the same calendar month).

Conditions of Utilisation

- (a) The Lenders will only be obliged to comply with clause 5.4 (*Lenders’ participation*) of the Facility Agreement in relation to any Utilisation Request if on or before the Utilisation Date for that Utilisation, the Facility Agent has received all of the documents and other evidence listed below in form and substance satisfactory to the Facility Agent (acting on the instructions of the Majority Lenders):
 - (i) a copy of the constitutional documents of the Borrower;
 - (ii) a copy of the constitutional documents of the Keepwell Provider;
 - (iii) a copy of a resolution of the board of directors of each of the Borrower and the Keepwell Provider;
 - (iv) a specimen of the signature of each person authorised by any resolution referred to in (iii) above;
 - (v) a certificate from the Borrower (signed by a director thereof) confirming that borrowing the Total Commitment would not cause any borrowing or other limit binding on it to be exceeded;
 - (vi) a certificate of an authorised signatory of each Transaction Obligor certifying that each copy document relating to it specified in this clause is correct, complete and in full force and effect as at a date no earlier than the date of the Facility Agreement substantially in the form provided in Schedule 10 (*Director’s Certificate*) of the Facility Agreement. For the avoidance of doubt, a certificate duly affixed with the company seal of the Keepwell Provider shall take effect as if it were duly signed by an authorised signatory of the Keepwell Provider;
 - (vii) the duly executed Finance Documents;
 - (viii) Hong Kong, the British Virgin Islands, English and PRC law legal opinions.
- (b) Subject to the above, the Lenders will only be obliged to comply with clause 5.4 (*Lender’s participation*) of the Facility Agreement in relation to the Loan if on the date of the Utilisation Request and on the proposed Utilisation Date:
 - (i) no Default is continuing or would result from the proposed Loan; and
 - (ii) the representations and/or warranties to be repeated by any or all of the Transaction Obligors under any or all of the Finance Documents upon the date of the Utilisation Request or the Utilisation Date are true in all material respects (whether before or after giving effect to the proposed Loan).

“**Administrative Parties**” means each of the Facility Agent, the Security Agent and the MLAB (each an “**Administrative Party**”).

“**Authorisation**” means:

- (a) an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation, lodgement or registration; and/or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a governmental agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

“**Commitment**” means:

- (a) in relation to the original Lender, the Total Commitment; and
- (b) in relation to any other Lender, the amount of any Commitment transferred to it pursuant to clause 20 (*Changes to the Lenders*) of the Facility Agreement,

to the extent not cancelled or reduced under the Facility Agreement or transferred by it pursuant to clause 20 (*Changes to the Lenders*) of the Facility Agreement.

“**Default**” means an Event of Default or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“**Fee Letter**” means any letter or letters referring to the Facility Agreement or the Facility between one or more Administrative Parties and the Borrower setting out the fees referred to in clause 10 (*Fees*) of the Facility Agreement.

“**Finance Documents**” means the Facility Agreement, the Demand Guarantee, each Fee Letter, the Keepwell Deed, the Utilisation Request and each other document designated as such by the Facility Agent (acting on the instructions of the Majority Lenders) (each a “**Finance Document**”).

“**Majority Lenders**” means a Lender or Lenders whose Commitments aggregate more than 66²/₃ per cent. of the Total Commitment (or, if the Total Commitment have been reduced to zero, aggregated more than 66²/₃ per cent. of the Total Commitment immediately prior to the reduction).

“**Total Commitment**” means the aggregate of the Commitments, being US\$200,000,000.

“**Transaction Obligors**” means the Borrower and the Keepwell Provider (each a “**Transaction Obligor**”).

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 2 (*Form of Utilisation Request*) to the Facility Agreement.

Repayment

- (a) The Borrower shall repay the Loan in full on the Business Day which is the tenth (10th) Business Day (for the avoidance of doubt, in inverse chronological order) prior to the Final Maturity Reference Date.
- (b) Notwithstanding paragraph (a) above, the Borrower agrees that for the purposes of calculating interest payable for the Interest Period ending on the Final Maturity Date (the “**Relevant Maturity Date Interest Period**”), the total outstanding amount of the Loan (before such repayment under paragraph (a) above), shall be deemed to have been outstanding for the entire Relevant Maturity Date Interest Period.

“**Final Maturity Reference Date**” means

- (a) if the Final Maturity Date is a Business Day, the Final Maturity Date, or
- (b) if the Final Maturity Date is not a Business Day, the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is no such next

Business Day in the same calendar month).

**Mandatory
Prepayment**

Subject to clause 7.2 (*Restrictions*) of the Facility Agreement, clause 7.1 (*Mandatory Prepayment*) provides that upon the occurrence of a Mandatory Prepayment Event, the Facility Agent (acting on the instructions of the Majority Lenders) shall give notice (a “**Mandatory Prepayment Notice**”) to the Borrower that all outstanding Loans are due and payable on the Prepayment Date (as defined below) whereupon the Facility will be cancelled.

Clause 7.2 (*Restrictions*) of the Facility Agreement provides for the following:

- (a) The Facility Agent shall calculate the Prepayment Amount and notify the Borrower of the Prepayment Amount within three (3) Business Days after notification to the Borrower of the Mandatory Prepayment Event (as defined below).
- (b) The Borrower may not re-borrow any part of the Facility which is prepaid.
- (c) The Borrower shall not repay or prepay all or any part of the Loan or cancel or reduce all or any part of the Commitments or Available Commitments of the Lenders except at the times and in the manner expressly provided for in the Facility Agreement.
- (d) If any Commitment or Available Commitment of any Lender is cancelled or reduced under the Facility Agreement, such Commitment or Available Commitment so cancelled or reduced may not be subsequently reinstated.
- (e) In the event that the Prepayment Amount is not received in full by or on behalf of the Facility Agent on or before the Prepayment Date, the parties hereto agree that the Facility Agent shall be deemed to be instructed to make a claim under the Demand Guarantee for any outstanding Prepayment Amount on the Business Day immediately following such Prepayment Date.

“**Available Commitment**” means, in relation to a Lender and save as otherwise provided in this Agreement, that Lender’s Commitment.

“**Prepayment Amount**” means all outstanding Loans, together with accrued interest (such accrued interest to be calculated in accordance with the sub-paragraph below), break costs and the applicable Early Termination Fee to be paid by the Borrower on the Prepayment Date, *provided that*, for the purposes of calculating accrued interest on an outstanding Loan to be prepaid, the Borrower agrees that such amount will include, in addition to the interest accrued up to (but excluding) the Prepayment Date, an amount equal to the amount of interest which would have accrued on the Loan for the period from, and including, that Prepayment Date to, but excluding, the Early Termination Date following that Prepayment Date, if the Loan had not been prepaid prior to the end of that period.

“**Prepayment Date**” shall mean in relation to a mandatory prepayment pursuant to sub-paragraphs (i) (*Guarantor Default Event*) or (ii) (*Illegality affecting the Lender*) (in each case, such sub-paragraphs as set out in the definition of “Mandatory Prepayment Event”) and in accordance with clause 7.1 (*Mandatory Prepayment*) of the Facility Agreement, the Business Day falling five (5) Business Days from the date of notification to the Borrower of the occurrence of a Mandatory Prepayment Event.

A “**Mandatory Prepayment Event**” shall be deemed to have occurred if:

- (a) (*Guarantor Default Event*) the Facility Agent has received express written notice and/or becomes aware that a Guarantor Default Event has occurred and is continuing provided that, until it receives such express written notice, the Facility Agent (x) may assume that no Guarantor Default Event has occurred, (y) shall not be obliged to monitor or determine whether any Guarantor Default Event has occurred, and (z) shall not be responsible or liable to any person for any loss arising by so doing; or
- (b) (*Illegality affecting the Lender*) the Facility Agent has received express written notice

that it is or will become unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in the Loan or any part thereof; or

otherwise the Facility Agent may assume that no Mandatory Prepayment Event has occurred. The Facility Agent shall not be obliged to monitor or determine whether any Mandatory Prepayment Event has occurred, and shall not be responsible or liable to any person for any loss arising by so doing.

Upon the occurrence of a Mandatory Prepayment Event pursuant to subparagraphs (a) or (b) above, all Lenders are deemed to have instructed the Facility Agent to deliver a Mandatory Prepayment Notice to the Borrower in accordance with clause 7.2 (*Mandatory Prepayment*) of the Facility Agreement.

“**Acceleration Date**” means a date on which all of the Loan is due and payable pursuant to clause 19.14 (*Acceleration*) of the Facility Agreement.

“**Guarantor Default Event**” means the occurrence of any of the following (each a “**Guarantor Default Event**”):

- (a) (*cross default for Public External Indebtedness*) (A) any present or future Public External Indebtedness of any member of the CCB Group is not paid when due nor within any originally applicable grace period, or (B) any Public External Indebtedness of any member of the CCB Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of any default, event of default or the like (however described), or (C) any creditor of any member of the CCB Group becomes entitled to declare any Public External Indebtedness of any member of the CCB Group due and payable prior to its specified maturity as a result of an event of default (however described), *provided that* no Guarantor Default Event shall occur if the aggregate amount of Public External Indebtedness and/or commitment for Public External Indebtedness falling within sections (a)(A) to (a)(C) above is less than U.S.\$50,000,000 (or its equivalent in any other currency or currencies);
- (b) (*cross default for Offshore Guarantees*) any member of the CCB Group fails to discharge its payment obligations pursuant to a demand made in accordance with any Offshore Guarantee within the relevant time prescribed for payment under such Offshore Guarantee following the expiry of any applicable grace period, unless: (i) such demand is rejected by any member of the CCB Group on valid grounds with a reasonable basis which is not overturned by an order arising under legal, arbitral or regulatory proceedings; or (ii) any member of the CCB Group is prevented from making such payment by an order arising under legal, arbitral or regulatory proceedings, *provided that* no Guarantor Default Event shall occur if the aggregate amount of payment owed under such Offshore Guarantees is less than U.S.\$50,000,000 (or its equivalent in any other currency or currencies);
- (c) (*insolvency*) CCB or any of its Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part 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 a material part of the debts of CCB or any of its Material Subsidiaries;
- (d) (*winding-up*) an order is made or an effective resolution passed for the winding-up or dissolution or administration of CCB or any of its Material Subsidiaries, or CCB ceases 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 (a) on terms approved by the Lenders, or (b) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in another member of the CCB Group;

- (e) (*illegality of obligations*) (A) it is or becomes unlawful for the Demand Guarantor to perform any of its obligations under the Demand Guarantee, or (B) any obligation of the Demand Guarantor under the Demand Guarantee, is not or ceases to be legal, valid, binding or enforceable;
- (f) (*repudiation*) the Demand Guarantor repudiates the Demand Guarantee or evidences an intention to repudiate the Demand Guarantee; or
- (g) (*insufficient coverage*) a material adverse change occurs in relation to the ability of the Demand Guarantee to cover any and all amounts owed by the Borrower under the Finance Documents (whether due to any change of laws resulting in the increase of any withholding tax payable by the Demand Guarantor pursuant to any claims paid under the Demand Guarantee, a reduction of any capped amount under the Demand Guarantee, or otherwise).

“CCB” means China Construction Bank Corporation, and for the avoidance of doubt, shall include each of its branches.

“CCB Group” means CCB and its Subsidiaries from time to time.

“**Material Subsidiary**”, in relation to CCB, means a Subsidiary of CCB whose total assets or total revenue as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which the audited financial statements relate, account for five (5) per cent. or more of the consolidated assets or consolidated revenue of CCB as at such date or for such period. If a Material Subsidiary transfers all of its assets and business to another Subsidiary of CCB, the transferee shall become a Material Subsidiary and the transferor shall cease to be a Material Subsidiary on completion of such transfer.

“**Public External Indebtedness**” means any indebtedness of the CCB Group, or any guarantee or indemnity by any member of the CCB Group of indebtedness, for money borrowed which, (i) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (ii) has an original maturity of more than 365 days.

“**Offshore Guarantee**” means any demand guarantee, advance payment guarantee, performance bond, letter of credit or similar documentary credit issued by any member of the CCB Group in its ordinary course of business for the purposes of securing any financial indebtedness of any entity incorporated outside of the PRC and incurred outside of the PRC.

**Calculation of
Early
Termination Fee
and Early
Termination
Date**

“**Early Termination Date**” means, in relation to an Acceleration Date or Prepayment Date, the date falling nine (9) Business Days after that Acceleration Date or Prepayment Date (as the case may be).

“**Early Termination Fee**” means, in relation to an Acceleration Date on which all of the Loan is accelerated under clause 19.14 (*Acceleration*) of the Facility Agreement or in relation to a Prepayment Date on which all of the Loan is or becomes due for mandatory prepayment pursuant to clause 7.1 (*Mandatory prepayment*) of the Facility Agreement, a fee computed at the rate of zero point five (0.5) per cent. per annum on the Total Commitment for the period from and including the Early Termination Date in relation to that Acceleration Date or Prepayment Date (as the case may be) to but excluding the Final Maturity Date.

Default Interest

- (a) If the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on such overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is two (2) per cent. per annum higher than the rate which would have been payable if such overdue amount had, during the period of non-payment, constituted the Loan in the currency of such

overdue amount for successive Interest Periods, each of a duration selected by the Facility Agent. Any interest accruing under clause 8.3 (*Default interest*) of the Facility Agreement on any overdue amount owing by the Borrower shall be immediately payable by the Borrower.

- (b) Default interest (if unpaid) arising on any Unpaid Sum will be compounded with that Unpaid Sum at the end of each Interest Period applicable to that Unpaid Sum but will remain immediately due and payable.

“**Unpaid Sum**” means any sum due and payable but unpaid by any Transaction Obligor under any or all of the Finance Documents.

Early Termination Fee

- (a) The Borrower agrees to pay an Early Termination Fee to the Lenders if all of the Loan is accelerated under clause 19.14 (*Acceleration*) of the Facility Agreement or becomes due for prepayment pursuant to clause 7.1 (*Mandatory Prepayment*) of the Facility Agreement. Such Early Termination Fee shall be paid together with, and in addition to, the principal and accrued interest to be repaid.
- (b) The Borrower agrees that such Early Termination Fee is a genuine pre-estimate of the losses expected to be incurred by the Lenders in accordance with their funding obligations and is arrived at after commercial and arm’s length negotiations.

Representations and Warranties

The Borrower shall give usual and customary representations and warranties to each Finance Party for transactions of this type, including, without limitation:

(a) **Status**

- (i) It is a BVI business company duly incorporated with limited liability and validly existing under the laws of the British Virgin Islands.
- (ii) Each of it and its Subsidiaries has the power to own its assets and carry on its business as it is being conducted.
- (iii) It is not a FATCA FFI or a US Tax Obligor.

“**FATCA**” means:

- (a) sections 1471 to 1474 of the US Internal Revenue Code of 1986 or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above;
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction; or
- (d) any treaty, law, regulation, instruction or other official guidance analogous to paragraphs (a) or (b) of this definition enacted or amended in any other jurisdiction from time to time, and any agreement pursuant to the implementation of any such treaty, law, regulation, instruction or other official guidance with any governmental or taxation authority in any jurisdiction.

“**FATCA Deduction**” means a deduction or withholding from a payment under a Finance Document required by FATCA.

“**FATCA Exempt Party**” means a party that is entitled to receive payments free from

any FATCA Deduction. For the avoidance of doubt, a Party shall be presumed to be a FATCA Exempt Party if it has a valid FATCA GIIN issued to it.

“**FATCA FFI**” means a foreign financial institution as defined in section 1471(d)(4) of the US Internal Revenue Code of 1986 which, if any Finance Party is not a FATCA Exempt Party, could be required to make a FATCA Deduction.

“**FATCA GIIN**” means the Global Intermediary Identification Number issued and assigned to an entity pursuant to FATCA.

“**Finance Parties**” means the Facility Agent, the Security Agent, the MLAB and the Lenders (each a “**Finance Party**”).

“**Subsidiary**” means in relation to any company, corporation or entity, a company, corporation or entity:

- (a) which is controlled, directly or indirectly, by the first mentioned company, corporation or entity;
- (b) more than half the issued equity share capital, registered capital or equity interest of which is beneficially owned, directly or indirectly by the first mentioned company, corporation or entity; or
- (c) which is a Subsidiary of another Subsidiary of the first mentioned company, corporation or entity.

“**US Tax Obligor**” means

- (a) a Transaction Obligor which is a resident for tax purposes in the US; or
- (b) a Transaction Obligor some or all of whose payments under the Finance Documents are from sources within the United States for US federal income tax purposes.

(b) **Binding obligations**

The obligations expressed to be assumed by it in each Finance Document are legal, valid, binding and enforceable obligations.

(c) **Non-conflict with other obligations**

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents to which it is a party do not and will not:

- (i) conflict with:
 - (A) any law or regulation applicable to it;
 - (B) the constitutional documents of it or any of its Subsidiaries; or
 - (C) any agreement or instrument binding upon it or any of its Subsidiaries or any asset of it or any of its Subsidiaries; or
- (ii) result in the existence of or oblige it or its Subsidiaries to create any security over all or any of the assets of it or its Subsidiaries.

(d) **Power and authority**

- (i) It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance

Documents to which it is a party and the transactions contemplated by those Finance Documents.

- (ii) No limit on its powers will be exceeded as a result of the borrowing or giving of guarantees or indemnities contemplated by the Finance Documents to which it is a party.

(e) **Insolvency**

No Insolvency Event has occurred in relation to the Transaction Obligors or any member of the Group.

“**Borrower Group**” means the Borrower, its Subsidiaries and its affiliates from time to time.

“**Group**”, for the purposes of the Facility Agreement, means the Keepwell Provider and the Borrower Group.

(f) **Validity and admissibility in evidence**

All Authorisations required or desirable:

- (i) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party;
- (ii) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of organisation; and/or
- (iii) for it and its Subsidiaries to carry on their respective business,

have been obtained or effected and are in full force and effect.

(g) **Governing law and enforcement**

The choice of law of each Finance Document to which it is a party will be recognised and enforced in its jurisdiction of incorporation.

(h) **No deductions, filing or stamp taxes**

- (i) Other than the filing pursuant to Clause 18.18 (*Filing under PRC laws and regulations*), it is not necessary under the laws of its jurisdiction of incorporation that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to any or all of the Finance Documents or the transactions contemplated by the Finance Documents.

- (ii) It is not required under the law applicable where it is incorporated or resident or at the address specified in the Facility Agreement to make any deduction for or on account of Tax from any payment it may make under any Finance Document.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

(i) **No default**

- (i) No Event of Default is continuing or might reasonably be expected to result from the making of the Utilisation.

- (ii) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which any asset of it or any of its Subsidiaries is subject which might have a Material Adverse Effect.

“**Material Adverse Effect**” means a material adverse effect on:

- (a) the business, conditions (financial or otherwise) or prospects of:
 - (i) the Borrower; or
 - (ii) the Group and the Transaction Obligors taken as a whole;
 - (b) the ability of any Transaction Obligor to perform its obligations under any or all of the Finance Documents; or
 - (c) the legality, validity or enforceability of any or all of the Finance Documents or any or all of the rights or remedies of any Finance Party under any or all of the Finance Documents.
- (j) **No misleading information**
- (i) Any information (including, without limitation, the information set out in Schedule 7 (*Description of the Borrower and the Keepwell Provider*) to the Facility Agreement contained in or provided by or on behalf of any member of the Group or any Transaction Obligor was true, complete and accurate in all material respects as at the date it was given and is not misleading in any respect.
 - (ii) Any financial projections supplied by or on behalf of any Transaction Obligor, any member of the Group or any affiliate of any of the foregoing have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.
 - (iii) All information supplied by or on behalf of any Transaction Obligor, any member of the Group or any affiliate of any of the foregoing is true, complete and accurate in all material respects as at the date it was given and is not misleading in any respect.
- (k) **Description of the Borrower**
- (i) The information set out in Schedule 7 (*Description of the Borrower and the Keepwell Provider*) to the Facility Agreement contains all information with respect to the Borrower and the Group that is material to enable the investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Borrower and the Group.
 - (ii) The statements contained in Schedule 7 (*Description of the Borrower and the Keepwell Provider*) to the Facility Agreement relating to the Borrower and to the Group are in every material particular true and accurate and not misleading.
 - (iii) There are no other facts in relation to the Borrower or the Group the omission of which would make any statement in Schedule 7 (*Description of the Borrower and the Keepwell Provider*) to the Facility Agreement misleading in any material respect.
 - (iv) All reasonable enquiries have been made by the Borrower to ascertain such facts and to verify the accuracy of all such information and statements as set out in Schedule 7 (*Description of the Borrower and the Keepwell Provider*) to the Facility Agreement.

(l) **Marketing materials**

- (i) The information set out in Schedule 11 (*Marketing Materials*) to the Facility Agreement is in every material particular true and accurate and do not contain any information which is misleading or deceptive or likely to mislead or deceive.
- (ii) There are no other facts the omission of which would make any information set out in Schedule 11 (*Marketing Materials*) to the Facility Agreement misleading in any material respect.
- (iii) All reasonable enquiries have been made by the Borrower to ascertain such facts and to verify the accuracy of all such information set out in Schedule 11 (*Marketing Materials*) to the Facility Agreement.

(m) **Financial statements**

- (i) The Borrower's consolidated financial statements and the Keepwell Provider's consolidated financial statements most recently supplied to the Facility Agent and each MLAB were prepared in accordance with GAAP consistently applied save to the extent expressly disclosed in such financial statements.
- (ii) The Borrower's consolidated financial statements and the Keepwell Provider's consolidated financial statements most recently supplied to the Facility Agent and each MLAB give a true and fair view of and represent the Borrower's financial condition and operations or (as the case may be) the Keepwell Provider's consolidated financial condition and operations, in each case at the end of and during the applicable period to which such financial statements relate, save to the extent expressly disclosed in such financial statements.
- (iii) There has been no material adverse change in the Borrower's business or consolidated financial condition since the date of the consolidated financial statements of the Borrower most recently supplied to the Facility Agent and each MLAB and there has been no material adverse change in the business or consolidated financial condition of the Keepwell Provider since the date of the consolidated financial statements of the Keepwell Provider most recently supplied to the Facility Agent and each MLAB.
- (iv) There are no outstanding guarantees or contingent payment obligations of the Borrower in respect of indebtedness of any party except as described in the Borrower's financial statements most recently supplied to the Facility Agent and each MLAB, and the Borrower is in compliance with all of its obligations under any such outstanding guarantees or contingent payment obligations.

"GAAP" means:

- (a) in relation to the Borrower, the generally accepted accounting principles in Hong Kong; and
- (b) in relation to the Keepwell Provider, the generally accepted accounting principles in the PRC.

(n) **Pari passu ranking**

Its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

(o) **Title**

- (i) The Borrower and any of its Subsidiaries have good and marketable title to all real property, personal property and any other assets owned by them or any rights or interests thereto, in each case as is necessary to conduct the business now operated by them (for the purposes of this clause, “**Assets**”).
- (ii) The Borrower and any of its Subsidiaries have received all necessary approvals in order to have good and marketable title to their Assets, including without limitation approvals relating to the evaluation, acquisition and perfection of such title.
- (iii) There are no charges, liens, encumbrances or other security interests or third party rights or interests, conditions, planning consents, orders, regulations, defects or other restrictions affecting any of such Assets of the Borrower or any of its Subsidiaries which could have a material adverse effect on the value of such Assets, or limit, restrict or otherwise have a material adverse effect on the ability of the Borrower or any of its Subsidiaries to utilise or develop any such Assets and, where any such Assets are held under lease, each lease is a legal, valid, subsisting and enforceable lease.

(p) **Approvals**

- (i) The Borrower and any of its Subsidiaries possesses adequate certificates, authorisations, licences, orders, consents, approvals or permits (for the purposes of this clause, “**Approvals**”) issued by, and has made all declarations and filings with, all appropriate national, state, local and other governmental agencies or bodies, all exchanges and all courts and other tribunals, domestic or foreign, necessary to own or lease, as the case may be, and to operate its properties and to conduct the business now operated by them.
- (ii) The Borrower and any of its Subsidiaries is in compliance with the terms and conditions of all such Approvals.
- (iii) All of the Approvals are valid and in full force and effect.
- (iv) Neither Borrower nor any of its Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Approvals or is otherwise aware that any such revocation or modification is contemplated or threatened.

(q) **Taxes and assessments**

- (i) All returns, reports or filings which ought to have been made by or in respect of the Borrower for taxation purposes have been made and all such returns are correct and on a proper basis and are not the subject of any dispute with the relevant revenue or other appropriate authorities and to the best of the knowledge of the Borrower (after due and careful enquiry) do not reveal any circumstances likely to give rise to any such dispute and the provisions, charges, accruals and reserves included in the financial statements are sufficient to cover all taxation of the Borrower existing in all accounting periods ended on or before the accounting reference date to which the financial statements relate whether payable then or at any time thereafter. No liability for tax which has not been provided for in the financial statements of the Borrower has arisen or has been asserted by the tax authorities against the Borrower.
- (ii) The Borrower has duly and in a timely manner paid all taxes that have become due, including, without limitation, all taxes reflected in the tax returns referred to in paragraph (i) above, or any assessment, proposed assessment, or notice, either formal or informal, received by the Borrower.

(r) **No proceedings pending or threatened**

- (i) No litigation, arbitration, investigation or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened, or are pending, against it or any of its Subsidiaries.
- (ii) There are no police, legal, governmental or regulatory investigations nor any pending actions, suits or proceedings against or affecting the Borrower or any member of the Group or any of its respective executive directors, officers, properties or employees, or to the best of the Borrower's knowledge and belief (after due and careful enquiry), the Keepwell Provider or any of the executive directors, officers or employees of the Keepwell Provider or any member of the Group, which, if determined adversely to the Borrower, the Keepwell Provider or that member of the Group or any of its respective executive directors, officers, properties or employees, would individually or in the aggregate have a Material Adverse Effect, and, to the best of the Borrower's knowledge (after due and careful enquiry), no such investigations, actions, suits or proceedings are threatened or contemplated.

(s) **Authorised signatures**

Any person specified as its authorised signatory under Schedule 1 (*Conditions Precedent*) to or clause 17.4(a)(v) (*Information: miscellaneous*) of the Facility Agreement is authorised to sign the Utilisation Request and other notices on its behalf.

(t) **Anti-corruption and anti-money laundering law**

- (i) Neither the Borrower, the Keepwell Provider, their Subsidiaries, or any of their respective directors, officers, agents, employee or other person acting on any of their behalf, is aware of or has taken any action, directly and indirectly, that would result in a violation by such persons of the Bribery Act 2010, the United States Foreign Corrupt Practices Act of 1977 or other similar legislation, rules or regulations in any other jurisdiction (for the purposes of this paragraph, the "**Anti-corruption Laws**");
- (ii) The Borrower, the Keepwell Provider and each of their Subsidiaries:
 - (A) conducts its business at all times in compliance with all applicable anti-money laundering laws, regulations, rules and guidelines in its jurisdiction and in each other jurisdiction in which such entity, as the case may be, conducts business (collectively, the "**Anti-money Laundering Laws**"); and
 - (B) maintain policies and procedures designed to promote and achieve compliance with such Anti-corruption Laws and Anti-money Laundering Laws; and
- (iii) There are no actions, suits or proceedings by or before any court or governmental agency, authority or body or any arbitrator involving the Keepwell Provider, the Borrower, their Subsidiaries, or any of their respective directors, officers, agents, employee or other person acting on any of their behalf, with respect to the Anti-money Laundering Laws or Anti-corruption Laws.

(u) **No unlawful payments**

- (a) Neither the Borrower, the Keepwell Provider and their Subsidiaries, nor any director nor any officer, agent, employee or other person acting on behalf of the

Borrower, the Keepwell Provider and their respective Subsidiaries, is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the “FCPA”), or any other applicable anti-bribery or anticorruption law or regulation similar to the FCPA (including but not limited to, the UK Bribery Act of 2010), in any other jurisdiction in which each of the Borrower, the Keepwell Provider and their Subsidiaries operates including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorisation of the payment of any money, or other property, gift, promise to give, or authorisation of the giving of anything of value to any “foreign official” (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA or any other similar applicable anti-bribery or anti-corruption law or regulation of any such other jurisdiction; and each of the Borrower, the Keepwell Provider and their Subsidiaries, has conducted its businesses in compliance with the FCPA and any other similar applicable anti-bribery or anti-corruption law or regulation of any such other jurisdiction and have instituted and maintained policies and procedures designed to ensure continued compliance with, and prevent violation of, such laws, rules and regulations.

- (b) The proceeds of the Loan are not intended to be used for any purpose that contravenes any law or regulation applicable to the Borrower (including without limitation the laws and regulations of the PRC).

(v) **Sanctions**

None of the Transaction Obligors, or any of their respective Subsidiaries, or any joint venture in which any of them or any of their respective Subsidiaries participates, or any of the respective directors, officers or employees of any or all of the foregoing, and, to the knowledge of the Borrower, none of the persons acting on behalf of any or all of the foregoing:

- (i) is a Restricted Party; or
- (ii) has received notice of or is aware of any claim, action, suit, proceeding or investigation against it with respect to Sanctions by any Sanctions Authority.

“HMT” means Her Majesty’s Treasury.

“OFAC” means Office of Foreign Assets Control of the US Department of Treasury.

“**Restricted Party**” means a person that is (a) listed on, or owned or controlled by a person listed on, or acting on behalf of a person listed on, any Sanctions List, (b) located in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a person located in or organised under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions, or (c) otherwise a target of Sanctions (“**target of Sanctions**” signifying a person with whom a US person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities).

“**Sanctions**” means the economic sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by:

- (a) the United States government;
- (b) the United Nations;
- (c) the European Union;

- (d) the United Kingdom; and
- (e) the respective governmental institutions and agencies of any of the foregoing, including, without limitation, the Sanctions Authorities.

“**Sanctions Authorities**” means OFAC, the United States Department of State and HMT.

“**Sanctions List**” means the “Specially Designated Nationals and Blocked Persons” list maintained by OFAC, the Consolidated List of Financial Sanctions Targets and the Investment Ban List maintained by HMT, or any similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities.

(w) **Consents**

- (a) Other than the filing pursuant to Clause 18.18 (*Filing under PRC laws and regulations*) of the Facility Agreement, no consent, approval, authorisation, order, filing, registration or qualification of or with any court or arbitrator or governmental or regulatory authority or stock exchange is required in any jurisdiction for the execution, delivery and performance by the Borrower and the Keepwell Provider of each of the Finance Documents to which each is a party and compliance by the Borrower and the Keepwell Provider with the terms thereof and the consummation of the transactions contemplated by the Finance Documents.
- (b) The Keepwell Provider is a pilot company for the purpose of the NDRC Circular and the Pilot Programme; it has obtained an annual debt issuance quota certificate dated 27 May 2016 (the “**Pilot Certificate**”) under the Pilot Programme which remains in full force and effect; and the borrowing by the Borrower of the Loan up to the Total Commitment under the Facility Agreement (i) is within the scope, terms and conditions of the NDRC Circular, the Pilot Certificate and the Pilot Programme and (ii) does not exceed the total annual foreign debt limit of the Keepwell provider under the NDRC Circular, the Pilot Certificate and the Pilot Programme.

“**NDRC**” means the National Development and Reform Commission of the PRC, including a local branch or sub-branch thereof.

“**NDRC Circular**” means the Notice of the National Development and Reform Commission on Promoting the Reform of Managing the External Debt Issuance by Enterprises with a Record-filing and Registration System (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 NDRC which came into effect on 14 September 2015 and the applicable implementation rules or policies thereof as issued by the NDRC from time to time.

“**NDRC Pilot Programme**” means the NDRC Pilot Programme on the Administration and Reform of Enterprise Foreign Debt Scale of 2016 (我委部署 2016 年度企業外債規模管理改革試點工作) published by the NDRC on 7 June 2016 and the applicable implementation rules or policies thereof as issued by the NDRC from time to time.

Information Undertakings relating to financial Statements

The Borrower shall supply or procure the supply to the Lenders acting through the Facility Agent and each MLAB in sufficient copies for all the Lenders and the MLABs:

- (a) as soon as the same become available, but in any event within one hundred and Eighty (180) days after the end of each of the Borrower’s financial years (or, as the case may be, the Keepwell Provider’s financial years):
 - (i) the audited consolidated financial statements of the Borrower for that financial year; and

- (ii) the audited consolidated financial statements of the Keepwell Provider for that financial year,

in each case audited by an independent firm of certified public accountants; and

- (b) as soon as the same become available, but in any event within ninety (90) days after the first half of each of the Borrower's financial years (or, as the case may be, the Keepwell Provider's financial years):
 - (i) the unaudited management accounts of the Borrower for that financial half year; and
 - (ii) the unaudited consolidated financial statements of the Keepwell Provider for that financial half year.

Undertakings

The Borrower shall give usual and customary undertakings for transactions of this type, including, without limitation:

- (a) **Authorisations**

The Borrower shall promptly:

- (i) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (ii) supply certified copies to the Facility Agent of,

any Authorisation required to enable it or any Transaction Obligor to perform its obligations under the Finance Documents and/or to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of organisation (or that of any Transaction Obligor) of any Finance Document.

- (b) **Compliance with laws**

- (i) The Borrower shall (and shall ensure that each member of the Group and any Transaction Obligor will) comply in all respects with all laws (including without limitation any regulations and rules issued by the State Administration of Foreign Exchange of the PRC) to which it may be subject, if failure so to comply would or could reasonably be expected to have a Material Adverse Effect.
- (ii) The Borrower shall not use the proceeds of the Loan for any purpose that contravenes any law or regulation applicable to the Borrower (including without limitation the laws and regulations of the PRC).
- (iii) The Borrower shall ensure that the proceeds of the Loan shall not be transferred directly or indirectly to any account maintained or located in the PRC or otherwise maintained or to be maintained by any person, corporation or other entity with any financial institution in the PRC.

- (c) ***Pari passu* ranking**

The Borrower shall ensure that its payment obligations under the Finance Documents rank and continue to rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

- (d) **Disposals**

- (i) The Borrower shall not, and the Borrower shall procure that no member of the Group will, enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset (including shares) or business.
- (ii) Paragraph (i) above does not apply to any sale, lease, transfer or other disposal:
 - (A) made in the ordinary course of trading of the disposing entity;
 - (B) of assets in exchange for other assets comparable or superior as to type, value and quality and for a similar purpose; or
 - (C) which would not, and could not reasonably be expected to, have a Material Adverse Effect.

(e) **Merger**

The Borrower shall not, and the Borrower shall procure that no member of the Group will, enter into any amalgamation, demerger, merger or corporate reconstruction, other than any amalgamation, demerger, merger or corporate reconstruction entered into by a member of the Group other than the Borrower and which:

- (i) would not, and could not reasonably be expected to, have a Material Adverse Effect; and
- (ii) does not result in a breach of any Authorisation or of any other provision of the Facility Agreement.

(f) **Change of business**

The Borrower shall procure that no material change is made to the general nature or scope of the business of the Borrower, the Keepwell Provider or of the Group taken as a whole, from that carried on at the date of the Facility Agreement.

(g) **Anti-corruption and anti-money laundering law**

- (i) The Borrower shall not (and the Borrower shall ensure that none of the Keepwell Provider or any of its Subsidiaries will) directly or indirectly use any of the proceeds of any of the Facility for any purpose which would breach the Bribery Act 2010, the United States Foreign Corrupt Practices Act of 1977 or other similar legislation in any other jurisdiction.
- (ii) The Borrower shall (and the Borrower shall ensure that the Keepwell Provider and each of its Subsidiaries will):
 - (A) conduct its business in compliance with applicable Anti-corruption Laws, Anti-money Laundering Laws, including all relevant regulations, rules and guidelines in its jurisdiction and in each other jurisdiction in which such entity conducts business; and
 - (B) maintain policies and procedures designed to promote and achieve compliance with such laws.

(h) **Sanctions**

The Borrower shall not (or shall not permit or authorise any other person to), and the Borrower shall ensure that none of the Keepwell Provider or any of its Subsidiaries will (or will permit or authorise any other person to), directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of the Loan or other transaction(s) contemplated by any Finance Document to fund any

trade, business or other activities (i) involving or for the benefit of any Restricted Party, or (ii) in any other manner that would reasonably be expected to result in the Borrower, the Keepwell Provider, any of their respective Subsidiaries or any Finance Party being in breach of any Sanctions (if and to the extent applicable to any of them) or becoming a Restricted Party.

(i) **Taxation**

The Borrower shall (and the Borrower shall ensure that each member of the Group will) pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:

- (i) the payment of such Taxes is being contested in good faith by the Borrower or such member of the Group (as the case may be);
- (ii) adequate reserves are being maintained for those Taxes; and
- (iii) the payment of such Taxes can be lawfully withheld and failure to pay those Taxes does not have and could not reasonably be expected to have a Material Adverse Effect.

(j) **Acquisitions**

None of the Borrower or any member of the Group shall acquire any company or corporation, any equity interest in any person, or any business, assets or undertaking (or any interest therein) or make any investment other than an acquisition or investment, unless such acquisition or investment (i) would not, or could not reasonably be expected to, have a Material Adverse Effect or (ii) does not result in a breach of any Authorisation or of any other provision of the Facility Agreement.

(k) **Preservation of existence, assets and licences**

The Borrower shall, and the Borrower shall procure that each of its Subsidiaries will:

- (i) maintain and preserve its corporate existence and not change its jurisdiction of organisation or incorporation;
- (ii) maintain and preserve in good working order (ordinary wear and tear excepted) all of the assets necessary in the conduct of its business from time to time; and
- (iii) ensure that it has the power and necessary Authorisations to own its assets and carry on its business (as from time to time conducted),

in each case, to the extent necessary to ensure that there is no Material Adverse Effect.

(l) **Solvency Certificate**

At the same time as any payment is made by a Transaction Obligor to a Finance Party pursuant to any Finance Document and promptly on request by the Facility Agent, the Borrower shall deliver to the Facility Agent a solvency certificate (substantially in the form set out in Schedule 5 (*Form of Solvency Certificate*) to the Facility Agreement confirming that no Event of Default has occurred. Such certificate shall be signed by any one (1) director (or any person duly authorised by such director) of the Borrower.

(m) **Application of FATCA**

The Borrower shall ensure that none of the Transaction Obligors is or will become a FATCA FFI or a US Tax Obligor.

(n) **Dividends**

The Borrower shall not make payments of dividends or distribution unless such payment would not result in a Material Adverse Effect or otherwise materially adversely affect the Borrower's ability to perform its obligations under the Finance Documents.

(o) **Legal and beneficial ownership**

The Borrower shall ensure that the Keepwell Provider shall legally and beneficially own, whether directly or indirectly, 100 per cent. of the equity interests in the Borrower at all times.

(p) **Keepwell Deed**

The Borrower undertakes to procure that the Keepwell Provider shall issue the Keepwell Deed to the Finance Parties on or before the Utilisation Date.

(q) **Disbursement Account**

(i) The Borrower undertakes that if it transfers monies out of the Disbursement Account for any payment relating to the general offshore corporate purposes of the Group, it will only do so after providing the Lenders with the relevant invoice relating to such payment as evidence that the payment is to be made in compliance with 3.1(Purpose) and the Lenders have provided prior written consent of the transfer. Provided that such prior written consent is obtained from the Lenders, China Construction Bank Corporation, Hong Kong Branch as account bank for the Disbursement Account undertakes that it will perform the transfer from the Disbursement Account to the account stated in the invoice.

(ii) The Borrower undertakes to maintain the Disbursement Account with China Construction Bank Corporation, Hong Kong Branch for so long as needed for the disbursement and the monitoring of the proceeds of the Loan.

(r) **Filing under PRC laws and regulations**

The Borrower shall (and the Borrower shall procure that the relevant Transaction Obligor to) promptly, and in any case within 7 Business Days of the Utilisation Date, file details of this Agreement and/or the Guarantee with the relevant NDRC office in accordance with the requirements of applicable laws and regulations.

(s) **Shareholder Loans**

The Borrower shall not (a) pay or repay, make or receive any distribution in respect of, any loans and advances from any of its shareholders or its respective Subsidiaries or affiliates (the "**Shareholder Loan**"), whether in cash or kind from any source; (b) allow any of its shareholders or respective subsidiaries/affiliates to purchase or acquire any Shareholder Loan; (c) allow any Shareholder Loan to be discharged; or (d) allow any Shareholder Loan to be subordinated to any person other than in accordance with this Clause 18.19 (Shareholder Loans).

(t) **Clear Market**

The Borrower shall not, and shall procure that none of the Group's members will, raise funding from the international debt or financing market or attempt to raise any funding using the issuance of a demand guarantee as a form of credit enhancement without the prior written consent of the MLABs from the date of this Agreement up to and including the Utilisation Date and 3 months from the date of this Agreement.

"Disbursement Account" means the United States Dollar denominated savings account opened in the name of the Borrower with China Construction Bank Corporation, Hong Kong Branch for the purposes of and in connection with the Loan, such savings account, the number and other

details of which shall be notified to the Borrower by China Construction Bank Corporation, Hong Kong Branch. Unless China Construction Bank Corporation, Hong Kong Branch shall have received prior written notification to the contrary from the Borrower, all existing signing authorities/instructions and other agreements, mandates, instructions and undertakings currently applicable to the Borrower's existing United States Dollar denominated savings account numbered 67100002264 with the Lender shall also apply to the Disbursement Account.

Events of Default

The usual and customary Events of Default for transactions of this type, including, without limitation:

(a) Non-payment

The Borrower does not pay or the Facility Agent is not, by 4:30 p.m. on the due date in receipt of:

- (i) any interest and/or principal in respect of the Loan (other than any Prepayment Amounts payable under clause 7 (*Prepayment*) of the Facility Agreement, unless payment is made within one (1) Business Day after its due date; or
- (ii) any Prepayment Amounts payable under clause 7 (*Prepayment*) of the Facility Agreement or any other amount pursuant to a Finance Document,

at the place at and in the currency in which it is expressed to be payable.

(b) Other obligations

- (i) Any Transaction Obligor does not comply with any provision of the Finance Documents (other than those referred to in clause 19.1 (*Non-payment*) of the Facility Agreement).
- (ii) No Event of Default under paragraph (i) above will occur in respect of such failure to comply if such failure to comply is capable of remedy and is remedied within three (3) Business Days of the earlier of (A) the Facility Agent giving notice to such Transaction Obligor; and (B) such Transaction Obligor becoming aware of such failure to comply.

(c) Misrepresentation

Any representation or statement made or deemed to be made by any Transaction Obligor in any or all of the Finance Documents or any other document delivered by or on behalf of any Transaction Obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.

(d) Cross default

Any:

- (i) financial indebtedness of any Transaction Obligor or any member of the Group is not paid when due nor within any originally applicable grace period;
- (ii) financial indebtedness of any Transaction Obligor or any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);
- (iii) commitment for any financial indebtedness of any Transaction Obligor or any member of the Group is cancelled or suspended by a creditor of any Transaction Obligor or any member of the Group as a result of an event of default (however described); or

- (iv) creditor of any Transaction Obligor or any member of the Group becomes entitled to declare any financial indebtedness of any Transaction Obligor or any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described),

provided that no Event of Default will occur under this clause if the aggregate amount of financial indebtedness and/or commitment for financial indebtedness falling within paragraphs (i) to (iv) above (for any Transaction Obligor and any and all members of the Group) is less than US\$10,000,000 (or its equivalent in any other currency or currencies).

(e) **Insolvency**

- (i) Any Transaction Obligor or a member of the Group is or is presumed or deemed to be unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (ii) the value of the assets of any Transaction Obligor or any member of the Group is less than its liabilities (taking into account contingent and prospective liabilities); or
- (iii) a moratorium is declared in respect of any indebtedness of any Transaction Obligor or any member of the Group.

(f) **Insolvency proceedings**

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

- (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, provisional supervision or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Transaction Obligor or any member of the Group other than a solvent liquidation or reorganisation of any Transaction Obligor or any member of the Group which is not a Transaction Obligor;
- (ii) a composition or arrangement with any creditor of any Transaction Obligor or any member of the Group, or an assignment for the benefit of creditors generally of any Transaction Obligor or any member of the Group or a class of such creditors;
- (iii) the appointment of a liquidator (other than in respect of a solvent liquidation of a member of the Group which is not a Transaction Obligor), receiver, administrator, administrative receiver, compulsory manager, provisional supervisor or other similar officer in respect of any Transaction Obligor or any member of the Group or any of its assets; or
- (iv) enforcement of any security over any assets of any Transaction Obligor or any member of the Group,

or any analogous procedure or step is taken in any jurisdiction, and in each case, such process is not dismissed, discharged, stayed or restrained within sixty (60) days of commencement.

(g) **Creditors' process**

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of any Transaction Obligor or any member of the Group taken as a whole.

- (h) **Unlawfulness or invalidity**
 - (i) It is or becomes unlawful for a Transaction Obligor to perform any of its obligations under the Finance Documents to which it is a party.
 - (ii) Any obligation of any Transaction Obligor under any Finance Document to which it is a party is not or ceases to be legal, valid, binding or enforceable.
 - (iii) Any Finance Document ceases to be in full force and effect or is alleged by a party to it (other than a Finance Party) to be ineffective.
- (i) **Material litigation**

Any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened in relation to any of the Finance Documents or the transactions contemplated in the Finance Documents or against any Transaction Obligor or any member of the Group or the assets of any of the foregoing which have or could reasonably be expected to have a Material Adverse Effect.
- (j) **Repudiation**

A Transaction Obligor repudiates a Finance Document or evidences an intention to repudiate any Finance Document.
- (k) **Cessation of business**

The Borrower, the Group (taken as a whole) or the Keepwell Provider suspends or ceases to carry on all or a material part of the business of the Borrower, the Group (taken as a whole) or the Keepwell Provider.
- (l) **Change of control**

The Keepwell Provider fails to directly or indirectly, legally and beneficially, own or otherwise control 100 per cent. of the Equity Interest in the Borrower.
- (m) **Material adverse change**

Any event or circumstance occurs which the Majority Lenders reasonably believe might (individually or together with other events or circumstances) have a Material Adverse Effect.

Acceleration

On and at any time after the occurrence of an Event of Default which is continuing the Facility Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrower:

- (a) cancel the Commitments of the Lenders and reduce them to zero (0) whereupon they shall immediately be cancelled and reduced to zero (0);
- (b) cancel any part of the Commitments of the Lenders and reduce them accordingly, whereupon the applicable part of the Commitments of the Lenders shall be cancelled (and the Commitments of the Lenders shall be reduced accordingly), provided that such reduction of the Commitments of the Lenders shall be applied towards the Commitments of the Lenders rateably;
- (c) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents (including without limitation any Early Termination Fee) be immediately due and payable, whereupon they shall become immediately due and payable;
- (d) declare that all or part of the Loan be payable on demand, whereupon they shall

immediately become payable on demand by the Facility Agent on the instructions of the Majority Lenders; and/or

- (e) exercise any or all of its rights, remedies, powers or discretions under the Demand Guarantee and/or the Keepwell Deed,

provided that any Event of Default pursuant to paragraph (a) of clause 19.1 (*Non-payment*) of the Facility Agreement will result in an automatic acceleration in full of the Loan and the Facility Agent may, without notice to the Borrower, conduct all actions and have all rights described in paragraphs (a) to (e) above.

Upon the occurrence of an automatic acceleration referred to above, the Borrower shall repay and/or pay all of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents (including without limitation any Early Termination Fee) before 3:00 p.m. on the date falling two (2) Business Days after the original due date of the relevant interest and/or principal.

If the Loan is accelerated on an Acceleration Date pursuant to this clause (whether or not such acceleration is an automatic acceleration), the Borrower shall ensure that the accrued interest to be paid together with the accelerated Loan (or part of the Loan) will include, in addition to the interest accrued up to (but excluding) that Acceleration Date, an amount equal to the amount of interest which would have accrued on the Loan (or, as the case may be, that part of the Loan) for the period from and including that Acceleration Date to but excluding the Early Termination Date in relation to that Acceleration Date as if the Loan (or that part of the Loan) had not been accelerated prior to the end of that period.

Assignments

Subject to clause 20 (*Changes to the Lenders*) of the Facility Agreement, a Lender (the “**Existing Lender**”) may:

- (a) assign any of its rights under the Facility Agreement; or
- (b) transfer by novation any of its rights and/or obligations under the Facility Agreement,

to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets or to any other person without the consent of any Transaction Obligor (the “**New Lender**”).

Taxation

- (a) All payments to be made by the Borrower to any Finance Party under any of the Finance Documents shall be made free and clear of and without any Tax Deduction unless the Borrower is required to make a Tax Deduction, in which case the sum payable by the Borrower (in respect of which such Tax Deduction is required to be made) shall be increased to the extent necessary to ensure that such Finance Party receives a sum net of any deduction or withholding equal to the sum which it would have received had no such Tax Deduction been made or required to be made.
- (b) If such taxes are required by law to be deducted or withheld from any sum so payable, then the Borrower shall increase the amounts so paid so that the recipient receives the full amount due to it.
- (c) If a FATCA Deduction is required to be made by the Borrower, the amount of the payment due from the Borrower shall be increased to an amount which (after making any FATCA Deduction) leaves an amount equal to the payment which would have been due if no FATCA Deduction had been required.
- (d) If the Facility Agent is required to make a FATCA Deduction in respect of a payment to a Finance Party under clause 25.2 (*Distributions by the Facility Agent*) of the Facility Agreement which relates to a payment by the Borrower, the amount of the payment due from the Borrower shall be increased to an amount which (after the Facility Agent has made such FATCA Deduction) leaves the Facility Agent with an amount equal to the

payment which would have been made by the Facility Agent if no FATCA Deduction had been required.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

**Indemnities
from the
Borrower**

The Borrower shall, within the Relevant Time of despatch of a demand by a Finance Party, indemnify the Finance Party against any cost, loss or liability incurred by that Finance Party or any affiliate of that Finance Party as a result of:

- (a) the occurrence of any Event of Default or any prepayment of the Facility;
- (b) any information produced or approved by any Transaction Obligor, any member of the Group or any affiliate thereof being or being alleged to be misleading and/or deceptive in any respect;
- (c) any enquiry, investigation, subpoena (or similar order) or legal or arbitral proceedings with respect to any Transaction Obligor, any member of the Group or any affiliate thereof or with respect to any transactions contemplated or financed under any Finance Document;
- (d) a failure by any Transaction Obligor to pay any amount due under a Finance Document on its due date and in the currency in which such amount is due, including without limitation, any cost, loss or liability arising as a result of clause 24 (*Sharing among the Finance Parties*) of the Facility Agreement;
- (e) funding, or making arrangements to fund, its participation in the Loan requested by the Borrower in the Utilisation Request but not made by reason of the operation of any one or more of the provisions of the Facility Agreement (other than by reason of default or negligence by that Finance Party alone);
- (f) the early termination or cancelling of any funding arrangements entered into by any Lender in order to permit it to fund its participation under this Facility, if such termination was caused directly by any acceleration or prepayment of this Facility; or
- (g) the termination of any agreement or transaction entered into for the purposes of hedging the types of liabilities and/or risks in relation to the Facility due to any Default hereunder.

“**Relevant Time**” means (a) where no Default has occurred and is continuing, three (3) Business Days; and (b) where any Default has occurred and is continuing, by 3:00 p.m. on the Business Day falling immediately after the despatch of a demand.

**Governing Law
and Courts**

- (a) The Facility Agreement and all non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with the laws of England.
- (b) The courts of England have non-exclusive jurisdiction to settle any dispute arising out of or in connection with the Facility Agreement (including any dispute relating to any non-contractual obligation arising from or in connection with the Facility Agreement and any dispute regarding the existence, validity or termination of the Facility Agreement).

THE DEMAND GUARANTEE

Applicable Rules	Uniform Rules for Demand Guarantees (URDG) 2010 Revision, ICC Publication No. 758 (“ URDG 758 ”)
Issuing Bank	China Construction Bank Corporation, Hainan Branch
Date of Issue	24 January 2017
Effective Date	24 January 2017
Instructing Party	HNA Group Co., Limited.
Beneficiary	<p>China Construction Bank Corporation, Hong Kong Branch (together with its successors and assigns), in its capacity as the Security Agent for and on behalf of the lender and other secured parties* under the Facility Agreement, among others.</p> <p>*The secured parties under the Facility Agreement include each finance party thereunder and any delegate or receiver appointed. Upon completion of the sale and purchase of the Receivables under the Loan Purchase Agreement, the Issuer will become the sole lender and therefore a secured party under the Facility Agreement.</p>
Guaranteed Amount	<p>Up to U.S.\$207,000,000 (the “Guaranteed Amount”).</p> <p>All payments under the Demand Guarantee (net of any additional amounts payable by the Demand Guarantor to account for deductions or withholdings under tax) shall be made in US dollars and shall not exceed the Guaranteed Amount.</p>
Tax Gross-up	All payments by the Demand Guarantor under the Demand Guarantee shall be made without any deduction on account of tax, set-off or otherwise. In the event that any deduction or withholding is required, the Demand Guarantor shall pay such additional amount as will result in receipt by the beneficiary of such amounts as would have been received by it had no such deduction or withholding been required.
Scope Of Demand Guarantee	All principal, interest, early termination fee and any other fees and amounts due and payable by the Borrower under the Facility Agreement.
Payment Timeline	<p>Five (5) Business Days (“Business Day” being a day on which commercial banks are open for general official business in Beijing and, if a payment in United States Dollars is required to be made under this Guarantee on that day, in New York) after the receipt by the Demand Guarantor of a complying demand from the Demanding Party on behalf of the Beneficiary by authenticated SWIFT, the Demand Guarantor shall make the relevant payment into the Facility Account.</p> <p>“Demanding Party” means: (i) at any time when, as notified to the Demand Guarantor by the Beneficiary via authenticated SWIFT, the Facility Agent is or becomes an impaired Facility Agent (as defined in the Facility Agreement) and the Demand Guarantor has not been notified by the Beneficiary via authenticated SWIFT that a new Facility Agent has been appointed pursuant to the terms of the Facility Agreement, the Beneficiary; or (ii) at any other time, the Facility Agent.</p> <p>“Facility Account” means the bank account held by the Facility Agent for the Lenders under the Facility Agreement, or (if the Facility Agent is an impaired Facility Agent at the time a demand is made) such other bank account as may be held by the Lenders, the details of which shall be notified to the Demand Guarantor by the Demanding Party via authenticated SWIFT when the Demanding Party makes a demand on behalf of the Beneficiary.</p>
Restrictions on	This Demand Guarantee may not be transferred or assigned unless the prior written consent of

Transferability the Demand Guarantor is obtained.

The Demand Guarantor undertakes to (i) give such consent to any transfer or assignment of the Demand Guarantee arising as a result of any replacement of the Security Agent under the Facility Agreement by reason of the occurrence of an insolvency event with respect to the existing Security Agent or it becoming illegal in any applicable jurisdiction for the existing Security Agent to perform its functions in that capacity; and (ii) execute and deliver all documents (including any notices of assignments, acknowledgments, consents, statements or instructions) required for any such assignment or transfer of the Demand Guarantee by the Beneficiary.

Expiry Date The Demand Guarantee shall expire on 24 February 2020.

Governing Law and Courts The Demand Guarantee is subject to URDG 758.

The Demand Guarantee shall be governed and construed in accordance with the laws of People's Republic of China for issues not covered by URDG. Any dispute or claim arising out of or in relation to the Demand Guarantee shall be submitted to the non-exclusive jurisdiction of the competent courts in Beijing, the People's Republic of China.

THE KEEPWELL DEED

Keepwell Provider	HNA Group Co., Limited
Date of execution	20 February 2017
Beneficiary	Each Finance Party (as defined in the Facility Agreement), which includes the Original Lenders under the Facility Agreement.
Ownership undertaking	At all times during the term of the Facility Agreement, the Keepwell Provider will undertake to the Beneficiaries that it shall, directly or indirectly, hold 100 per cent. (100%) shareholding of the Borrower.
“Equity Interest”	means, in relation to any person: <ul style="list-style-type: none">(a) any shares of any class or capital stock of or equity interest in such person or any depositary receipt in respect of any such shares, capital stock or equity interest;(b) any securities convertible or exchangeable (whether at the option of the holder thereof or otherwise and whether such conversion is conditional or otherwise) into any such shares, capital stock, equity interest or depositary receipt, or any depositary receipt in respect of any such securities; or(c) any option, warrant or other right to acquire any such shares, capital stock, equity interest, securities or depositary receipts referred to in paragraphs (a) and/or (b) above.
Compliance undertaking	At all times during the term of the Facility Agreement, the Keepwell Provider will undertake to procure that the Borrower will receive adequate financial funding in such a way that the Borrower is capable of fulfilling all its payment obligations under the Facility Agreement.
Funding Support	The Keepwell Provider undertakes to procure that the Borrower will receive adequate financial funding in such a way that the Borrower is capable of fulfilling all its payment obligations under the Facility Agreement.
Representations	The Keepwell Provider agrees to repeat the representations and warranties made by the Borrower under clause 16 (<i>Representations</i>) and the undertakings made by the Borrower under Clauses 18.1 (<i>Authorisations</i>), 18.2 (<i>Compliance with laws</i>), 18.4 (<i>Disposals</i>), 18.5 (<i>Merger</i>), 18.6 (<i>Change of business</i>), 18.7 (<i>Anti-corruption and anti-money laundering law</i>), 18.8 (<i>Sanctions</i>), 18.9 (<i>Taxation</i>), 18.10 (<i>Acquisitions</i>), 18.11 (<i>Preservation of existence, assets and licences</i>) and 18.18 (<i>Filing under PRC laws and regulations</i>) of the Facility Agreement mutatis mutandis in favour of the Beneficiaries under the Keepwell Deed, with the consequence that references therein to the “Borrower” shall be deemed to be references to the Keepwell Provider.
Governing Law	Hong Kong law
Dispute Resolution Forum	Exclusive jurisdiction of Hong Kong courts

DESCRIPTION OF THE ISSUER

Formation

HNAG Funding Limited is an exempted company incorporated with limited liability under the Companies Law (as amended) of the Cayman Islands (Company Number: 317630). It was incorporated in the Cayman Islands as a special purpose vehicle. Its registered office is situated at the offices of Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Issuer is a special purpose vehicle and has no prior operating experience. The Issuer has no subsidiaries.

Business Activities

The Issuer was established with unrestricted objects and powers as set out in its memorandum of association. The Issuer has not commenced operations and it has undertaken no business activities since the date of its incorporation, other than those activities incidental to its incorporation and establishment and those incidental to the authorisation, execution and issue of the Notes and the documents and matters which are incidental or ancillary to the foregoing. As an exempted company, the Issuer may not trade in the Cayman Islands with any person except in furtherance of the business of the Issuer carried on outside the Cayman Islands. The Issuer will covenant to observe certain restrictions on its activities pursuant to the Trust Deed.

Financial Statements

Under Cayman 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.

Directors and Officers

The Directors of the Issuer are Dianne Farjallah and Gennie Bigord, whose business address is at Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands and who provide directorship services to special purpose companies.

The Issuer does not have any employees.

Certain affairs of the Issuer (including various corporate, secretarial and administrative services) are managed by Walkers Fiduciary Limited as the Issuer Administrator pursuant to the Issuer Management Agreement. The Issuer Administrator will, inter alia, provide the services of two or more directors to the Issuer and be responsible for the day-to-day administration of the Issuer.

Share Capital

The capital of the Issuer is U.S.\$50,000 divided into 50,000 ordinary shares of a nominal or par value of U.S.\$ 1.00 each. 250 ordinary shares have been issued at par, are fully paid and are held by Walkers Fiduciary Limited on trust for charitable purposes under the terms of a declaration of trust.

Capitalisation and Indebtedness

The capitalisation and indebtedness of the Issuer, as at the date of this Offering Circular is as follows:

Capitalisation and Indebtedness Statement of the Issuer

As at 23 February 2017
(U.S.\$)

Share Capital

250 ordinary shares issued and fully paid	250
Total Share Capital	250
Total Capitalisation	250

Financial Year

The financial year of the Issuer runs from 1 January to 31 December. There has been no material change in the activities of the Issuer since its incorporation.

The Issuer is not required under Cayman Islands law to prepare annual financial statements or audited accounts.

DESCRIPTION OF THE BORROWER

The information set out below relating to the Borrower has been provided by the Borrower pursuant to the Facility Agreement. The Borrower has given representations and warranties to the effect that such information is true, complete and accurate in all material respects as of the date of the Facility Agreement. None of the Issuer, the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank or the Demand Guarantor or their respective affiliates, employees, directors or advisors has separately verified such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank or the Demand Guarantor or any of their respective affiliates, employees, directors or advisors, as to the accuracy or completeness of the information relating to the Borrower set out below.

OVERVIEW

The Borrower was incorporated under the provisions of the British Virgin Islands Business Companies Act, 2004 (as amended from time to time) on 24 October 2016 with registration number 1926677. The registered office of the Borrower is Nemours Chambers, Road Town, Tortola, British Virgin Islands and its telephone number is 0898-66739906.

SHARE CAPITAL

The Borrower is authorised to issue a maximum of 10,000 shares with no par value each of a single class. 1 share has been issued and is held by the Keepwell Provider.

The Borrower is 100% held and managed by the Keepwell Provider.

BUSINESS

The Borrower's main business is to act as a financing platform for the onshore and offshore subsidiaries of the Keepwell Provider.

Currently, there are no direct subsidiaries under the Borrower.

The Borrower also functions as a financing platform for the Borrower Group and the Parent Group.

USE OF PROCEEDS AND REPAYMENT RESOURCE

The proceeds of the Loan will be applied for, including but not limited to, satisfying the daily cashflow requirements of the Borrower and the Group's offshore affiliates, payments in connection with the purchase of aviation materials and relevant maintenance fees.

The primary source of repayment under the Loan will be the revenue of the offshore subsidiaries of the Group.

SOLE DIRECTOR OF THE BORROWER

The sole director of the Borrower is Mr Xu Zhoujin whose business address is at HNA Building, 7 Guoxing Road, Haikou City, Hainan Province, China (zip code: 570203).

INDEBTEDNESS

Currently, Borrower is free of existing indebtedness.

LEGAL PROCEEDINGS

Since the date of its incorporation, the Borrower has not been involved in any legal, governmental, litigation or arbitration proceedings which may have or have had a significant effect on the financial position or profitability of the Borrower nor, so far as the Borrower is aware, is any such legal, governmental, litigation or arbitration proceedings involving it pending or threatened.

RECENT DEVELOPMENTS

There has been no material adverse change in the prospects of the Borrower since the date of its incorporation.

AUDITORS

No financial statement is available as the Borrower is a newly set up company in the British Virgin Islands.

DESCRIPTION OF THE KEEPWELL PROVIDER

The information set out below relating to the Keepwell Provider has been provided by the Keepwell Provider pursuant to the Keepwell Deed. The Keepwell Provider has given representations and warranties to the effect that such information is true, complete and accurate in all material respects as of the date of the Keepwell Deed. None of the Issuer, the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank or the Demand Guarantor or their respective affiliates, employees, directors or advisors has separately verified such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank or the Demand Guarantor or any of their respective affiliates, employees, directors or advisors, as to the accuracy or completeness of the information relating to the Keepwell Provider set out below.

OVERVIEW

The Parent Group is a leading conglomerate and an integrated operator in modern service industry with diversified businesses covering airport services, air transportation, real estate, hotel and catering, travel services, commercial retail, logistics and transportation, financial services and other businesses such as culture industry and network information technology. With its beginnings as an airline company, the Parent Group has gradually transformed into a multi-business conglomerate focusing on air travel, modern financial services, modern logistics and other business along the relevant industry value chain. Through rapid-development and benefiting from China's economic growth and globalisation, the Parent Group has built a quality portfolio of businesses and assets and established brand recognition within each of its core businesses. With respect to the Parent Group's air travel business, Hainan Airlines Co., Ltd. ("**Hainan Airlines**") has been named a "5-star airline" by Skytrax for three consecutive years since 2011, being the only Chinese airline to have received such recognition and also one of the seven airlines in the world to have done so. With respect to the Parent Group's leasing business, Bohai Leasing is an industry leader in financial leasing and operating leasing and is the only leasing company publicly listed in China. With respect to the travel services and hotel businesses, the Parent Group provides one-stop services and products to meet travellers' needs.

According to the "Fortune Global 500 Companies" list published by Fortune Magazine, the Parent Group ranked 353rd in 2016. According to the "Top 500 Companies in China in 2015" list published by the China Enterprise Confederation (中國企業聯合會) and the China Enterprise Directors Association (中國企業家協會), the Keepwell Provider ranked 99th by total revenue in 2015. The Keepwell Provider has maintained its position within the list of Top 500 Companies in China since 2012. The Keepwell Provider's ranking was 112th, 108th, 120th and 99th, respectively in the years 2012 to 2015. As at 31 December 2015, the Parent Group employed over 94,339 employees.

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the Parent Group had total assets of approximately CNY266.2 billion, CNY322.6 billion, CNY468.7 billion and CNY542.8 billion, respectively. The Parent Group's total consolidated operating revenue totaled approximately CNY56.0 billion, CNY67.5 billion, CNY100.9 billion and CNY53.9 billion for the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016, respectively.

The Keepwell Provider's predecessor, Hainan Provincial Airlines Limited was established in September 1989 and began operations in 1993. It was established to foster development of Hainan, which was then a newly established and the largest special economic zone in China. The Keepwell Provider was established on 16 April 1998, with company registration number 46000000091806 under the laws of the PRC. Hainan Provincial Airlines Limited was consolidated into the Parent Group in 2000 and was the key business of the Keepwell Provider. Over the years, the Parent Group has evolved from one single airline company to a leading conglomerate. In the first ten years of its history, with air passenger and cargo service as its principal business, the focus was on enhancing the quality of the service, expansion of business and operations and establishing the HNA brand name. The year 2000 marked the milestone in the history of the Parent Group. In January 2000, the State Administration of Industry and Commerce approved the establishment of the Keepwell Provider in the Hainan province of the PRC as a platform for consolidation, integration and expansion of commercial operations in the province. Building on the established air passenger and cargo business of Hainan Provincial Airlines Limited, the following 10 years saw the development and growth of the key business segments of the Parent Group, the enhancement of synergistic effects and the optimisation of the overall revenue structure.

As at the date of this Offering Circular, the Keepwell Provider was 70% owned by Hainan Traffic Control Holding Co., Ltd. and 30% owned by Yangpu Construction Investment Co., Ltd.. As at the date of this Offering Circular, each of Hainan Traffic Control Holding Co., Ltd. and Yangpu Construction Investment Co., Ltd. has pledged certain of the shares it holds in the Keepwell Provider to financial institutions to secure its financing. The ultimate major beneficial shareholder of the Keepwell Provider is the Hainan Liberation Commonwealth Foundation. The telephone number of the Keepwell Provider is 0898-66739906.

Over the years, driven in part by the economic growth in the PRC and through reorganisation, capital investment and acquisitions, the assets and revenue of the Parent Group have significantly increased. The table below shows the consolidated total assets, revenue and net profit of the Parent Group for the period specified below.

Income Statement (CNY million)	Six months ended 30 June	
	2016	2015
Total operating revenue.....	53,934	32,030
Operating profit.....	2,442	2,624
Net profit.....	1,842	1,772

KEY STRENGTHS

Having accumulated years of valuable experience in international markets and having an in-depth understanding of the industries in which it operates, the Parent Group believes that its key strengths and core capabilities will allow it to continue to capture investment opportunities and to benefit from the steady growth of the Chinese economy and the recovery of the world economy. The Parent Group believes its key strengths are as follows:

Leading conglomerate with established market positions, strong industry reputation and brand recognition

The Parent Group is a leading conglomerate in modern service industry with diversified businesses spanning across air transportation, airport services, real estate, hotel and catering, travel services, commercial retail, logistics and transportation, financial services and other businesses such as culture industry and network information technology. According to the “Fortune Global 500 Companies” list published by Fortune Magazine, the Parent Group ranked 353rd in 2016. According to the “Top 500 Companies in China in 2015” list published by the China Enterprise Confederation (中國企業聯合會) and the China Enterprise Directors Association (中國企業家協會), the Keepwell Provider ranked 99th by total revenue in China in 2015. The Keepwell Provider has maintained its position within the list of Top 500 Companies in China since 2012. The Keepwell Provider’ ranking was 112th, 108th, 120th and 99th, respectively in the years 2012 to 2015.

The Parent Group enjoys leading market positions in many businesses it engages in. Over the years, the Parent Group has received numerous accolades, awards and recognition in different businesses, particularly in its air passenger and cargo, airports and travel services businesses. See the section titled “Description of the Parent Group – Awards”.

Such accolades, awards and recognition have built a strong reputation for the Parent Group in the relevant industries and enhanced customer loyalty, trust and confidence in the Parent Group generally. They also helped in attracting new business opportunities and customers. The Parent Group believes that its leading market position in the relevant industries have laid a solid foundation for further growth, integration and expansion of its businesses.

Business diversification through integrated business segments providing stable earnings

Responding to the challenges posed by the SARS epidemic, the Parent Group began to diversify its business after 2003 and successfully transformed itself from an airline company operating under a single-business model to a conglomerate engaging in businesses along the industry value chain such as of air transportation, airport services, real estate, hotel and catering, travel services, commercial retail, logistics and transportation and financial services.

Its diversified business allows the Parent Group to derive synergistic benefits. Diversification enables the Parent Group to be less vulnerable to business cycles, mitigates the business concentration risks and reduce volatility in the Parent Group’s overall earnings and financial position. For example, operating efficiencies are achieved through the Parent Group’s airports and airline businesses. Working with airports operated and owned by the Parent Group and by utilising the Parent Group’s airline related businesses such as aircraft maintenance services, aircraft equipment and

spare parts procurement and crew training programmes, the airlines under the Parent Group's air passenger and cargo business have been able to improve its operating efficiency to achieve better financial performance. The Parent Group is also able to cross-market its various services, thereby widening its customer base and increasing business opportunities. For example, the HNA Easycard allows customers to purchase from a wide range of the Parent Group's travel business partners including hotels, car rental services, and restaurants, which helps to encourage cross-selling and promote business across the Parent Group's various segments and businesses. The diversification of the Parent Group's business also ensures stability, consistency and reliability in the Parent Group's business performance and maintains a balanced revenue and earnings mix.

Successful track record in asset integration and value enhancement

Striving towards the goal of becoming a Chinese conglomerate with global presence, the Parent Group has a successful track record in identifying suitable investments to further the Parent Group's strategy and has demonstrated its ability to manage investments prudently and wisely to enhance value. In 2010, the Parent Group acquired the business and assets of Allco Aviation (subsequently rebranded Hong Kong Aviation Capital Limited ("HKAC")), an Australian based aircraft leasing company which went into receivership. Through further investment and prudent management, HKAC enjoyed steady growth and provided a profitable return to HNA Group (International) Company Limited (a subsidiary of the Keepwell Provider) and its subsidiaries ("HNA International Group") when the HNA International Group subsequently sold it to Bohai Leasing in 2011. HKAC is currently ranked 23rd in the world by fleet value. Similarly, in 2011 HNA Group (International) Company Limited acquired Seaco (formerly named GE Seaco), the world's fifth largest container leasing company at the time, from GE Capital and its joint venture partner. Providing clear leadership and strategic direction, the Parent Group aims to lead Seaco to become the world's largest container leasing company by number of cost equivalent unit according to a survey by Drewry Maritime Research regarding the global container leasing market in 2013. In January 2015, Bohai Leasing acquired 80% stake in Cronos Limited ("Cronos") from Cronos Holding Company Ltd. Cronos is one of the world's leading cargo container lessors and an industry leader in specialised container leasing. After acquisition of Cronos, Bohai Leasing remains the largest container leasing company in the world by number of cost equivalent unit.

The Parent Group has accumulated substantial experience in making use of the equity markets to provide profitable return on its investments and to increase the value of its assets. Since the listing of Hainan Airlines on the Shanghai Stock Exchange in 1997 and the listing of HNA Infrastructure on The Stock Exchange of Hong Kong Limited, the Parent Group has successfully listed many Parent Group companies and acquired stakes in listed companies, bringing its current investment portfolio to 20 listed companies. IPOs and acquisitions of stakes in listed companies provide the Parent Group with means to monetise its investments in addition to increasing value of its assets by providing greater sources of funding, improving corporate governance and increasing market and brand recognition.

Prudent financial policies with sustainable funding resources

The Parent Group has implemented prudent financial policies to ensure a healthy financial profile and stable cash flow. A testament to the Parent Group's stability, the Keepwell Provider was rated "AAA" by Dagong Global Credit Rating Co., Ltd in December 2015. It has established diversified funding sources including equity financing and issuances of domestic corporate bonds and commercial paper. As at 30 June 2016, the Parent Group had listed stocks with a total market value of HK\$43.91 billion, comprising Hong Kong-listed stocks with a total market value of HK\$3.83 billion, PRC-listed stocks with a total market value of HK\$35.24 billion, Europe-listed stocks with a total market value of HK\$3.78 billion, Singapore-listed stocks with a total market value of HK\$0.18 billion, South Africa-listed stocks with a total market value of HK\$0.79 billion and the United States listed stock with a total market value of HK\$0.09 billion.

Through the Parent Group's holdings in listed companies, it enjoys diversified funding channels including share placements. For instance, in 2012, Hainan Airlines made a placement of A-shares, raising CNY8 billion and in 2013 Bohai Leasing also made an A-share placement and successfully raised CNY3.5 billion. Through effective management of liquidity and funding sources, the Parent Group seeks to maximise returns and value for its businesses to ensure long term sustainable profitability and stability. The Parent Group has established good relationships with over 300 domestic and international financial institutions, including China Development Bank, The Export-Import Bank of China, Bank of China, Agriculture Bank of China, Industrial and Commercial Bank of China, Bank of Communications, China Everbright Bank and China Construction Bank. Currently, the Parent Group's largest lenders are China Development Bank, the Export-Import Bank of China and China Construction Bank. As at 30 June 2016, the total credit line for the Parent Group stood at CNY539.8 billion, compared to CNY463.3 billion as at 31 December 2015. The Parent Group's relationship banks have extended more credit lines to the Parent Group year-on-year, reflecting their positive views on the outlook of the Parent Group. Relationships with financial institutions worldwide have also strengthened the Parent Group's investment capability. The Keepwell Provider was rated AA+ by Shanghai

Brilliance Credit Rating & Investors Services Co., Ltd. in June 2014. As at 30 June 2016, the unused credit limit of the Parent Group was approximately CNY241 billion.

Strategic cooperation with provincial and municipal governments

The Parent Group believes that its success has been and will continue to be closely linked to the economic conditions and growth of the various provinces and cities in China. To this end, the Parent Group has, over the years, entered into strategic cooperation framework agreements with various provincial and municipal governments and established or held interests in joint ventures together with entities controlled by various provincial and municipal governments. Due to the strategic nature of airlines and airports, the provincial and municipal governments are, in some cases, strategic shareholders and partners of the airlines and airports which are managed or operated by the Parent Group.

As at 31 December 2015, the Parent Group had entered into 120 strategic cooperation agreements with various provincial, municipal and local governments across 28 provinces. Of these, 12 agreements were entered into with provincial governments, including Beijing, Tianjin, Gansu, Shaanxi, Chongqing, Hubei, Hunan, Guizhou, Henan, Zhejiang, Heilongjiang and Guangxi. Under the strategic cooperation agreements, the Parent Group benefits from arrangements such as preferential tax treatment, favourable policies for land and project development, subsidies, assistance and/or support from the relevant governments, in return for which the Parent Group agrees to contribute to the development of air transportation, logistics, tourism and other industries in the relevant provinces, municipalities and cities across China.

Experienced and savvy management team to capture growth opportunities

The Parent Group's management team has extensive operating experience and in depth market understanding and knowledge of their businesses. They are commercially-oriented with proven capability to capitalise on available opportunities to maximise profitability, improve cost efficiency and synergy within the Parent Group. With a proven track record of sound decision-making, the Parent Group's current senior management team led the Parent Group throughout the economic cycles since the commencement of the Parent Group's business operations in 1993 and helped transform the Parent Group from a regional airline to a multi-business conglomerate.

The success is attributable to the management style that advocates for an open-minded, creative, strong and effective management. Embracing cultural diversity, the Parent Group has retained the original management team of the acquired entities in each overseas acquisition it completed. Such approach allows continued management by personnel with the best knowledge of the local economy, culture and practices in which the businesses operate, providing a harmonious transition while at the same time allowing the Parent Group to acquire, and be continually updated with, the latest modern Western management and corporate governance principles, facilitating the growth of the Parent Group into a modern, global enterprise.

STRATEGIES

The Parent Group's goals are to build a world-class Chinese brand, to achieve continual growth and to become a competitive global conglomerate. The Parent Group seeks to achieve its goals through the following strategies:

Focus on and continue to develop the Parent Group's core businesses

The Parent Group enjoys leading market positions in many of its businesses such as air transportation, airports and travel services. The Parent Group will continue to strengthen its management and operation efficiency and to focus on strengthening and further developing each of the Parent Group's key businesses to improve profitability and to seize a greater market share in an ever competitive market in each business.

The Parent Group seeks to adopt a focused, strategic development approach by streamlining its management structure. The Parent Group aims to become more agile, more efficient and more effective by simplifying its internal approval processes and by decentralising business decisions to the level of each core business. The Parent Group will also integrate new technology such as mobile internet, cloud and big data to achieve management and operational efficiency. The Parent Group aims to further build and promote the HNA brand and to achieve increased brand recognition both in the PRC and globally.

Continue to build upon the Parent Group's diversified business

The Parent Group seeks to expand and grow strongly while being specialised and focused. Accordingly, the Parent Group continues to diversify whilst at the same time maintaining a high quality investment portfolio, providing the Parent Group with a stable income. Leveraging on the success of its core air transportation, airports and travel services business, the Parent Group closely follows the new trends and developments to explore and develop new businesses that complement the Parent Group's existing businesses to create further synergy. The latest additions to the Parent Group's diversified business mix are the e-commerce, culture and health businesses. The Parent Group seeks to integrate a range of digital services such as prepaid cards, third-party payment, social networking, internet logistics, cultural communications, online and consumer financing and internet entertainment with its other existing businesses such as air transportation, hotels, travel services and retail.

Continue to expand globally to strengthen global presence

The Parent Group aims to establish itself as a world class brand with global presence. The Parent Group will seek to identify suitable acquisition targets which are complementary to its businesses and instrumental to the achievements of its goal to become a global brand. Utilising Hong Kong as a platform, the Parent Group aims to drive further growth and development by expanding its foothold to Asia, Africa, Europe and North America. By making suitable acquisitions, the Parent Group also seeks to expand the number of international routes of its air transportation business to reach more destinations.

The Parent Group has established an investment department formed by experienced investment professionals to identify suitable acquisition targets. The investment department is responsible for analysing the markets in which the Parent Group's businesses operate, tracking relevant government policies and working in conjunction with other external parties to seek appropriate investment opportunities for the Parent Group. Placing great emphasis on risk minimisation, the Parent Group carries out extensive due diligence on any identified potential targets, such as by conducting site visits and meetings with the management, employees, suppliers and customers, and will conduct in-depth analysis in the relevant industry and in respect of human resources, branding and products.

Continue to increase capital raising and equity investments

The Parent Group will continue to explore means to increase its access to capital. In 2013, Bohai Leasing and Xi'an Minsheng successfully issued corporate notes raising an aggregate of CNY4.1 billion, HNA Infrastructure successfully raised U.S.\$250 million offshore, and the issue of CNY300 million corporate notes by Hainan Island Construction Co., Ltd. HNA International Tourism Island had received regulatory approval. As part of its development strategy, the Parent Group will also make equity investments in companies whose businesses will help further the Parent Group's strategic goals. In 2013, the Parent Group acquired stakes in Yicheng Co., Ltd. and HNA Holding), increasing the number of listed companies invested in by the Parent Group to 12. The Parent Group will continually assess the availability of suitable investment or acquisition targets.

AWARDS

The Parent Group has received numerous awards and recognition in each of its core industry sector as set forth below.

Airport Service

- In 2015, Haikou Meilian International Airport was ranked 2nd for "Best Airport by Size: 5-15 Million Passengers" by Airport Council International.
- In 2015, Haikou Meilian International Airport ranked 9th place for "Best Domestic Airport 2015" globally and 4th place for "Best Regional Airport in Asia 2015" by Skytrax.
- In 2014, Haikou Meilian International Airport ranked 4th for the "2014 ASQ Award for Best Airport in Asia-Pacific".
- In 2014, the Haikou Meilan International Airport, partially owned and operated by the Parent Group, won the Skytrax "(China) Regional Best Airport Award" and was named by Skytrax as the 2nd "5-Star Terminal" in China and 6th in the world in 2014.
- In 2014, Sanya Phoenix International Airport was ranked 2nd for "Best Airport by Size: 5-15 Million Passengers" by Airport Council International.

- In 2014, Sanya Phoenix International Airport was ranked 5th place for “the Best Airport in Asia- Pacific” and 8th place for “Best regional Airport in Asia 2015” by Skytrax.
- In 2012, the Sanya Phoenix International Airport won the ASQ Award for “Best Improvement in the Asia-Pacific” in the Airports Council International (“**ACT**”) Airport Service Quality (“**ASQ**”) awards, and was the 5th international airport in Asia to receive such award.

Air Transportation

- In 2015, Hainan Airlines was awarded “Asia’s Best Business Class”, “Asia’s Excellent Cabin Service” and “Asia’s Best Business Class Cabin Crew” by the World Travel Award.
- In 2015, Hainan Airlines ranked 8th globally for the World’s Safest Airline in JACDEC AIRLINE SAFETY RANKING 2015 awarded by Aero International.
- In 2015, Hainan Airlines was named a “5-star airline” by Skytrax for four consecutive years. It was also awarded “(China) Regional Best Airline” and “(China) Regional Best Staff Service” by Skytrax for four consecutive years, being the only mainland Chinese airline companies to receive such awards.
- In 2015, Tianjin Airlines was recognised as the “top 100 Airlines globally” by Skytrax and ranked 2nd and 6th “Best Regional Airline” in China and Asia respectively by Skytrax.
- In January 2013, Hainan Airlines ranked 8th in the World’s Safest Airlines published by the German aviation magazine, Aero International, ranking the highest among PRC airlines.
- In December 2013, Hainan Airlines was awarded the “Best Economy Class” honours by the 20th World Travel Awards.
- In 2011, Tianjin Airlines Co., Ltd. (“**Tianjin Airlines**”), a subsidiary of the Keepwell Provider, was named “4-Star Airline” and won the “Best China Regional Airline” title awarded by Skytrax.
- In 2011, Deer Jet Co., Ltd. (now renamed as Beijing Capital Airlines Co., Ltd., “**Capital Airlines**”), a subsidiary of the Keepwell Provider, became the first Chinese business jet operator to attain ARGUS Platinum Rating and IS-BAO rating.

Real Estate

- In 2013, the Parent Group joined the ranks of the top 50 Chinese real estate enterprises, ranking 48th in terms of sales and 41st in terms of area sold.
- In November 2013, the Parent Group was awarded “Brand Enterprise of the Year” organised by the “Real Estate” magazine.
- In June 2013, HNA Real Estate received the “PRC Blue Chip Real Estate” award in the 10th PRC Blue Chip Annual Conference organised by the Economic Observer.
- In 2011, the Parent Group was awarded “China Construction Luban Award for 2010-2011 (National High Quality Construction)” by China Building Industry Association.

Hotel and Catering

- In 2013, the Parent Group ranked 69th (in terms of number of hotel rooms) in the list of “Hotels 325” published by Hotels Magazine.
- In 2012, Tangla Hotel Tianjin was awarded “International Six Star Diamond Award” by American Academy of Hospitality Sciences.

Travel Services

- In 2015, HNA Tourism Holding (Parent Group) Co., Ltd. (“**HNA Tourism**”) was awarded the World’s Leading Integrated Tourism Parent Group by the World Travel Award.
- In 2014, HNA Tourism was awarded with “Asia’s Leading Travel Management Company” and “China’s Leading Travel Management Company” by the World Travel Award.
- In 2013, HNA Tourism won the title of “Top Brands Contributors – 2013 China’s Influential Brands” at the Business Leaders & Media Leaders Annual Conference & Top Brands Contributors Awarding Ceremony.
- HNA Tourism was ranked 6th in the “Top 20 PRC Tourism Parent Groups” by China Tourism Academy in both 2011, 2013 and 2014.
- In 2013, HNA Tourism won the “Gold Spectrum Award (Tourism Industry)” in the 7th Annual Chinese Brand Awards, and the “2013 Influential Chinese Brands Award” in the 2013 China Business Leaders & Media Leaders Annual Conference.

Business Retail

- In 2014 and 2013, HNA Commercial Holdings Co, Ltd. was ranked top 10 and 22nd respectively in the “Top 100 PRC Chain Store Enterprises”.

Logistics

- In 2014, Gopay Information Technology Co., Ltd. was awarded “Top 100 brand of China internet finance enterprise” organised by CIFC, Huaxia newspaper and He Xun Wang.
- In 2014, HNA Sinosun Logistics Co., Ltd, was awarded the top ten comprehensive logistics service providers “Golden Chain Award” of China cold chain by the China Federation of Logistics and Purchasing Cold Chain Logistics Committee.

Financial Services

- In 2014, Bohai Leasing has been awarded the “2014 Most Influential Leasing Company” under the CBN Financial Value Ranking.
- In 2013, Bohai Leasing won the “Best Management Trust Company in China” award at the China Wealth Management Summit and Best Wealth Management Institutions Awards Ceremony organised by Securities Times.
- In 2012, Bohai Leasing won the “PRC leasing Innovative Award” in the 2012 PRC leasing Annual Conference.
- In 2012, Bohai Leasing won the “Best Finance Leasing Company” award at the Ninth Chinese Enterprise Operation and Financial Strategic Management Summit organised by the China Association of Chief Financial Officers and the China CFO Magazine.

PRINCIPAL BUSINESSES

The principal businesses of the Parent Group are airport services, air transportation, real estate, hotel and catering, travel services, business retail, logistics transportation, financial services and other businesses such as culture industry and network information technology.

The tables below show the respective contribution to (1) the operating revenue and (2) the gross profit of the Parent Group by various business segments for the years ended 31 December 2014 and 2015.

(1) Operating Revenue

Business Segment	Operating Revenue (CNY)			
	Year Ended 31 December 2015		Year Ended 31 December 2014	
	(million)	% of Total	(million)	% of Total
Air transportation	21,251	22.3	18,848	28.6
Financial services	17,253	18.1	5,040	7.7
Travel services	8,172	8.6	7,892	12.0
Airport services	1,104	1.2	1,667	2.5
Business retail	10,078	10.6	16,237	24.7
Real estate	11,433	12.0	3,945	6.0
Hotel and catering	11,698	12.3	1,796	2.7
Logistic transportation	11,892	12.5	9,170	13.9
Others	2,283	2.4	1,207	1.9
Total	95,164	100	65,802	100

(2) **Gross profit**

Business Segment	Gross Profit (CNY)			
	Year Ended 31 December 2015		Year Ended 31 December 2014	
	(million)	% of Total	(million)	% of Total
Air transportation	4,478	16.3	3,299	20.9
Financial services	7,039	25.6	2,116	13.4
Travel services	1,087	3.9	1,108	7.0
Airport services	405	1.5	859	5.4
Business retail	1,670	6.1	2,837	18.0
Real estate	2,573	9.3	1,084	6.9
Hotel and catering	6,849	24.9	1,123	7.1
Logistic transportation	2,372	8.6	2,998	19.0
Others	1,054	3.8	354	2.3
Total	27,527	100	15,778	100

i) **Air Transportation**

According to statistics published by CAAC the Parent Group was ranked the 4th largest domestic airline group in China in 2015 in terms of total air traffic. The Parent Group is engaged in trunk line and regional airlines, business jet, air cargo, helicopter and low-cost carrier businesses. Currently, it has a fleet of nearly 1250 aircrafts, serves more than 800 domestic and international routes, flies to over 200 cities, and have served 77.4 million passengers annually. In the meantime, it achieved passenger traffic (in RPKs) of approximately 24.43 billion and the total cargo throughout of China was 128.3 million tonne kilometres.

As at the date of this Offering Circular, HNA operates the following 18 airline companies:

No. Airlines Company

1	Hainan Airlines
2	Tianjin Airlines
3	Capital Airlines
4	Hong Kong Airlines
5	Grand China Air Co., Ltd.
6	Hong Kong Express Airways Limited
7	West Air Co., Ltd.

- 8 Lucky Air Co., Ltd
- 9 Changan Airlines Co., Ltd.
- 10 Shanxi Airlines Co., Ltd.
- 11 Yangtze River Express Airlines Co., Ltd.
- 12 China Xinhua Airlines Limited Liability Company
- 13 Shanghai Deer Jet Co., Ltd.
- 14 Africa World Airlines Limited
- 15 Aigle Azur
- 16 Urumqi Air
- 17 Fuzhou Airlines
- 18 Guangxi Beibu Gulf Airlines

Among the airlines operated by the Parent Group, the principal airlines are Hainan Airlines, Tianjin Airlines, Capital Airlines and Hong Kong Airlines.

Hainan Airlines

Hainan Airlines, an associated company of the Keepwell Provider, is a leading provider of air passenger, air cargo and airline-related services in China. It is the fourth-largest airline in China in terms of fleet size, revenue and number of passengers carried in 2013. The shares of Hainan Airlines are listed on the Shanghai Stock Exchange (600221.SS). As at 31 December 2015, Hainan Airlines provided scheduled domestic, regional and international services using a hub and spoke strategy on 700 routes to 89 cities in 10 countries. Hainan Airlines is one of seven airlines in the world ranked as a 5-Star airline by the independent airline benchmarking firm Skytrax in 2013. The first and only PRC airline to receive this rating, Hainan Airlines received the rating for a third consecutive year. Hainan Airlines was ranked 14th in 2014 in the airline safety ranking published by Germany's JACDEC, ranking highest among Chinese airlines.

In addition to passenger services, Hainan Airlines provides cargo and mail services through bellyhold space of its passenger aircraft. It also leases out a total of 54 aircrafts to other affiliated airline companies of the Keepwell Provider, and provides other airline-related services, including property leasing, lodging, catering, ticketing and ground services in Beijing, Haikou, Xi'an and other locations through its subsidiaries.

Hainan Airlines has a fleet primarily comprising Boeing 737-800 aircraft, along with Boeing 787-8, Boeing 767-300, Boeing 737-700, Boeing 737-400, Airbus A340-600, Airbus A330-300, Airbus A330-200 and Airbus A330-200VIP aircraft for passenger and cargo transportation. As at 31 December 2015, Hainan Airlines operated a fleet of 169 aircrafts, serving 75 domestic and regional and 19 international destinations. In 2014 and 2015, Hainan Airlines carried approximately 32.72 million and 35.08 million passengers and had revenue passenger kilometres of 45,489.19 million and 55,634.91 million, respectively. In 2015, Hainan Airlines achieved an average load factor of 88.2%.

Tianjin Airlines

Established in November 2006, Tianjin Airlines, a subsidiary of the Keepwell Provider, is a regional airline operating domestic scheduled passenger and cargo flights out of Tianjin Binhai International Airport. Tianjin Airlines operates approximately 150 routes to over 100 domestic destinations, including Beijing, Chongqing, Dalian, Nanjing, Hailar, Shanghai, Xi'an, Wuhan, with an annual passenger throughput of over 10 million passengers. As of April 2015, the Tianjin Airlines fleet consisted of 84 aircrafts including 22 Embraer EMB 145, 45 Embraer ERJ 190 and 17 Airbus 320. In addition to scheduled air passenger service, Tianjin Airlines also provides charter flight services. Since the commencement of operation, Tianjin Airlines has received recognition for its good quality performance. In 2009, Tianjin Airlines was named "Best China Regional Airline" at Centre for Asia Pacific Aviation's annual Awards for Excellence in 2009. In 2011 and 2014, it was named a "4-Star Airline", and won the "Best China Regional Airline" title awarded, by the independent consultancy firm Skytrax.

Capital Airlines

Capital Airlines, a subsidiary of the Keepwell Provider, operates scheduled air passenger service with a fleet of 51 Airbus A319 and A320. It is the largest tourist charter flights operator in China. Since the commencement of operation, it has established over 250 passenger routes to approximately 200 destinations in China including regional hubs such as Beijing, Guangzhou, Nanjing, Chongqing, and Kunming. Deer Jet, another line of business of Capital Airlines, is a leading provider of corporate and private charter services in China. It operates 74 corporate jets, including Boeing Business Jet, Gulfstream G450/G550/GV/GIV/GIV-SP/G200, Hawker 900xp/850xp/800xp and Airbus 319. Deer Jet's corporate and private jet charter offers efficient travel solutions with premium comfort and style. The fleet represents approximately 40% of the total of China corporate jets and market share is approximately 65% as at April 2014. Its clientele includes government officials, top business executives and celebrities.

Hong Kong Airlines

Hong Kong Airlines, an associated company of the Keepwell Provider, is the second largest airline group in Hong Kong in terms of market share and route network. Besides its international network, Hong Kong Airlines has established passenger route network in the PRC comprising the cities of Beijing, Shanghai, Nanchang, Chengdu, Chongqing, Guiyang, Nanning, Haikou, Sanya, Tianjin, Hangzhou, Nanjing, Yancheng, Changchun, Fuzhou, Xuzhou, Taiyuan and Hohhot. It has entered into passenger codeshare agreements with Hainan Airlines, China Eastern Airlines, Shanghai Airlines, EVA Airways, Air India, Air Seychelles, Etihad Airways, Garuda Indonesia and Hong Kong Express to strengthen the frequency of its flight schedule and offer increased access to certain destinations for its passengers. So far, it has approximately 340 scheduled codeshare flights every week operated by its codeshare partners and it operates approximately 448 scheduled codeshare flights every week. Hong Kong Airlines currently operates 33 aircrafts, comprising of 28 passenger aircrafts and 5 pure cargo aircrafts. Since 2010, Hong Kong Airlines was awarded "4-Star Airline" title by Skytrax, and was awarded "The World's Best Improved Airline" in 2014.

The above airlines are participating airlines in the frequent flyer programme known as Fortune Wings Club.

ii) Financial Services

The Parent Group provides a range of financial services, including leasing, trust and other financial services such as insurance, securities, futures, investment banking, funds, factoring, equity investments and guarantee provision.

Leasing

The Parent Group conducts its leasing business primarily through Bohai Leasing.

Listed on the Shenzhen Stock Exchange, Bohai Leasing (SHSE: 415) mainly engages in the finance lease, operating lease and financing guarantee businesses, specialising in aircrafts, ships, containers, infrastructure, high-end machineries. Its financing products and services include finance lease, operating lease, sale-leaseback, leveraged leasing, vendor leasing, aircraft prepayment financing, aircraft mortgage financing, financial advisory services and risk management services. It is the only listed leasing company in China and has a full leasing license. Bohai Leasing is the largest and most diversified container leasing company in the world by cost equivalent unit and is also the world's 4th largest aircraft leasing service provider with a fleet of nearly 550 aircrafts. The Keepwell Provider directly held 44.64% interests in Bohai Leasing as at 31 December 2015, and is its largest controlling shareholder.

In August 2013, Bohai Leasing successfully issued CNY3.5 billion domestic bonds, becoming the first leasing company to issue bonds in the PRC.

On December 27, 2013, Bohai Leasing, through its offshore subsidiary, Global Sea Containers Ltd, completed its acquisition of the entire stake in Seaco from Global Sea Containers Two SRL, a subsidiary of HNA Group (International) Company Limited. At the time of acquisition, Seaco owned and managed over 870,000 20-foot equivalent units.

On January 20, 2015, Bohai Leasing, through its offshore subsidiary, Global Sea Containers Ltd, completed its acquisition of 80% stake in Cronos from Cronos Holding Company Ltd.

As at 31 December 2015, assets under lease and lease receivables of Bohai Leasing amounted to CNY44.34 billion and CNY42.31 billion, respectively. For the year ended 31 December 2014, the operating revenue and operating profit of Bohai Leasing were CNY9,659 million and CNY1,842 million, respectively.

Aircraft Leasing

After acquisition of Avolon on January 2016, the Parent Group currently leads a fleet of nearly 550 aircrafts and is ranked in 4th in aircraft leasing industry worldwide. The assets under lease as at 31 December 2015 totalled CNY24.25 billion. The size of the fleet held by the Parent Group is one of the largest in the world. The aircraft leasing business of the Parent Group is predominantly conducted through Bohai Leasing's subsidiary, HKAC.

Acquired by the Parent Group in January 2010, HKAC is an international aircraft leasing company headquartered in Hong Kong, with offices in Dublin and New York. It is mainly engaged in aircraft leasing and asset management. Customers of HKAC include Qantas, British Airways, Emirates Airlines, Ryanair and Wizz Air. According to Ascend Flightglobal Consultancy in 2014, HKAC is one of the global top 23 aircraft leasing companies in terms of fleet value.

Container Leasing

The container leasing business of the Parent Group is primarily conducted through Seaco, a subsidiary of Bohai Leasing, and Cronos.

Seaco was a joint venture established by General Electric Capital Corporation and Sea Containers Ltd. (since reformed as Seaco Limited) in Barbados in 1998 and was originally named as GE Seaco SRL. Acquired by HNA Group (International) Company Limited in 2011 and sold to Bohai Leasing in 2013, Seaco now operates as a core business within the Parent Group's existing logistics and finance operations in the form of Bohai Leasing. It has an issued capital of U.S.\$113.23 million. Seaco is headquartered in Singapore and has 14 sales and support offices worldwide. By working closely with container manufacturers and offering advanced container leasing services, Seaco is recognised worldwide as an industry leader. The majority of Seaco's fleet is on long-term leases to a diverse group of world's leading liners, logistics companies and shippers, allowing Seaco to maintain strong and stable cash flow. Seaco manages one of the most diversified container fleets amongst its industry peers, providing consistent cashflows throughout economic cycles. Following integration of Cronos, Seaco is now the largest container leasing company in the world by CEU as of December 2015, with approximately 15% market share. Seaco also has an established track record in selling end-of-life assets worldwide, maximising asset value to shareholders.

Cronos is headquartered in San Francisco, United States and has 20 leasing and sales offices in 18 locations worldwide. Cronos is one of the world's leading cargo container lessors and an industry leader in specialised container leasing. Cronos leases dry, refrigerated, tank and specialized intermodal container equipment to users worldwide across a number of industries. The company also offers design and procurement services for companies needing specialized built-to-order container equipment. In addition, it manages equipment leasing investment programs on behalf of third-party equipment owners.

Trust

The Parent Group conducts its trust business primarily through Bohai International Trust Co., Ltd. ("**Bohai Trust**").

- Bohai Trust was incorporated in October 1982. Pursuant to a restructuring in December 2006, Bohai Trust became a subsidiary of the Keepwell Provider. Further to several rounds of capital increase, it currently has registered capital of CNY2 billion. Based in Hebei, Bohai Trust has established branch offices in Beijing, Shanghai and Chengdu, etc.. Its products range from infrastructure trust, securities trust to real estate trust. As at 31 December 2015, Bohai Trust had assets under its management totaling CNY216.17 billion. For the year 2015, it recorded total revenue of approximately CNY1,070 million and net profit of approximately CNY549 million. In the same year, Bohai Trust was named "China Most Potential Trust Company" by Shenzhen Secutimes at the "3rd China Trust Companies Awards of Excellence".

Other Financial Services

- Approved by the China Insurance Regulatory Commission, Min'an Property and Casualty Insurance Co., Ltd. ("**Min'an Insurance**"), a company in which the Keepwell Provider has an interest, is an insurance company based in Shenzhen. Its businesses include home insurance, liability insurance, credit insurance, health insurance, casualty insurance and re-insurance of the above insurances. It has a well established sales and distribution network covering the whole of China with over 150 branch offices, including in Shenzhen, Hainan, Guangdong, Beijing, Shanghai, Sichuan, Hunan, Henan, Tianjin and Hong Kong. Min'an Insurance received a second tier "Shenzhen Financial Innovation Award" issued by the Shenzhen Municipal Government in 2009.

- Lianxun Securities Co., Ltd. (“**Lianxun Securities**”), a company in which the Keepwell Provider has an interest, was established in 1988. Its business includes security brokerage, fund retail, security investment consultation, financial advisory and security asset management. It has over 30 branches in China. Lianxun Securities is listed on the over-the-counter bulletin board in Shenzhen.
- Yingkou Coastal Bank Co., Ltd. (“**Yingkou Coastal Bank**”), a company in which the Keepwell Provider has an interest, was established in December 2010 with a registered capital of CNY1.5 billion. Headquartered in Yingkou city of Liaoning province, Yingkou Coastal Bank is a newly formed commercial bank jointly established by four urban credit cooperatives in Yingkou city; it is situated at a strategic location in the coastal economic zone of Liaoning province, and aims to take advantage of the economic development in the region and to become a bank with expertise in logistics network.

iii) **Travel Services**

Operating under the core development strategy of “one card, one network, and one center”, the Parent Group seeks to provide a one-stop solution for all the travel needs of its customers from travel planning and booking, financing, air travel, hotel accommodations, tour guides to shopping and entertainment, with integrated internet and e-commerce platforms.

The Parent Group is one of the largest travel services groups in China and in 2015 it ranked fifth in the list of “Top 20 Chinese Tourism Parent Groups” published by the China Tourism Academy. The Parent Group’s travel services span from travel agencies, stored value smart card, to currency exchange, with companies (including Grand China MICE, Hainan HNA Yisheng Co., Ltd., Tianjin Bohai Huitong Currency Exchange, Yisheng Capital Fund Co., Ltd. etc) operating approximately 73 travel agencies, over 500 travel agency outlets, over 10,000 merchants established and almost 40 currency exchange outlets. Its service network covers Asia, Europe and Americas, and it shares the joy with 3 million travelers every year. With “one card, one network, and one center” as core development strategy and creative business model, the Parent Group aspires to become the largest domestic and one of the leading international provider of modern comprehensive and seamless travel services and to create, promote and lead a new lifestyle of travel and consumption as part of its key strategies.

On 14 January 2015, Shanghai Nine Dragon Tourism Co., Ltd. (“**Shanghai Nine Dragon**”), an indirectly owned subsidiary of the Keepwell Provider, has entered into an equity transfer agreement, pursuant to which Shanghai Nine Dragon will transfer its 60% equity interest in Shanghai Dragon Woo Travel Co., Ltd (“**Dragon Woo**”) to Shanghai Chase Tour Travel Co., Ltd for CNY 3 million. Pursuant to completion of transaction, Shanghai Nine Dragon will hold remaining 40% stake in Dragon Woo.

The key subsidiaries of the Parent Group engaged in travel services are Hong Thai Travel Services Co., Ltd. (“**Hong Thai**”) and Bohai E-Business Service (“**Bohai E-Business**”).

Grand China MICE

A subsidiary of the Keepwell Provider, Grand China MICE provides marketing, incentives, conferences, and exhibitions (“**MICE**”) solutions to numerous reputable Top 500 multinational corporations from pharmaceutical, telecommunication, insurance, financial, car and information technology industries. Its headquarter is located at Beijing with subsidiaries in Shanghai, Guangzhou and Chengdu targeting eastern region, southern region and western region respectively. The company has approximately 200 employees and their average year of experience in MICE is over 5 years. Some highlighted events of Grand China MICE include hosting 2014 APEC CEO SUMMIT (2014 亞太經合組織工商領導人峰會) and CHINA-ARAB STATES TOUR OPERATOR CONFERENCE 2015 (2015 中國 - 阿拉伯國家旅行商大會).

Hong Thai

Acquired in 2011, Hong Thai, a subsidiary of the Keepwell Provider, is one of the largest travel agencies in Hong Kong. Founded in 1966, it has 19 sales outlets located in Hong Kong, Macau, Shenzhen, Guangzhou and Singapore. Over the years, it has received numerous awards and accolades for its achievements and market leader position. According to Nielson Media Index Hong Kong Report, Hong Thai won “Hong Kong Top Service Brand Ten Year Achievement Award” in 2014 and was selected as “Hong Kong Premier Service Brand” for 11 consecutive years from 2005 to 2015.

Bohai E-Business

Incorporated in Tianjin in December 2008, Bohai E-Business is a subsidiary of the Keepwell Provider and its principal businesses and core business development directions are to develop and market HNA Easycard as an electronic payment platform on the internet. Aspiring to become the Chinese version of American Express card, HNA Easycard is a rechargeable stored value card which the holders can use for payment at affiliated shops and sales and services outlets. HNA Easycard allows customers to purchase from a wide range of the Parent Group's travel business partners including hotels, car rental services and restaurants and encouraging cross-selling and promoting business across the Parent Group's various segments and businesses. The economic growth of Tianjin and its vicinity area and the increase in personal wealth helps the business of HNA Easycard grow significantly. In 2013, the revenue of the sales transactions completed through HNA Easycard exceeded CNY69 million. Meanwhile, the sales volume of HNA Easycard has reached 202,912 and the stored value on the cards has exceeded CNY71 million. HNA Easycard business mainly focuses on individual clients which are relatively scattered. It has partnered with outstanding enterprises like Tianjin Business Federation, China UnionPay, China Telecom, China Unicom, Hainan Airlines, Tianjin Airlines Co., Ltd. etc. Bohai E-Business is also amongst the 269 enterprises and the first batch of enterprises which have been issued with the third party payment authorisation certificate by the People's Bank of China.

iv) **Airport Services**

The Parent Group is engaged in the businesses of airport investment, airport restructuring, airport operation and management and related ground and consultancy services, and owns and manages a portfolio of 13 airports across China.

The Keepwell Provider has a stake in and manages the following airports in China:

No.	Airport
1	Sanya Phoenix International Airport
2	Yichang Sanxia Airport
3	Weifang Nanyuan Airport
4	Dongying Yong'an Airport
5	Manzhouli West Skirts Airport
6	Yingkou Airport
7	An'qing Tianzhushan Airport
8	Tangshan Sannuhe Airport
9	Haikou Meilan International Airport
10	Jinzhou Airport
11	Qionghai Boao Airport
12	Songyuan Chaganhu Airport
13	Gansu Airport Parent Group

As at 31 December 2014, the total assets of the Parent Group's airports business amounted to approximately CNY41.2 billion. According to the information published by CAAC, in 2015, the Parent Group's airports group achieved the total passenger throughput of approximately 35 million passengers and total cargo throughout of approximately 486,947 tonnes.

Sanya Phoenix International Airport is a modern airport located in Sanya, Hainan constructed to 4E standards with capacity to handle large aeroplanes like the Boeing 747-400. The airport was officially opened to air traffic in July 1994, it has a network of over 214 domestic and international routes connecting to major international and domestic cities, including Singapore, Moscow, Bangkok, Tokyo, Osaka, Seoul, Hong Kong and Taiwan. In 2014, it handled over 14.94 million passengers, making it the 19th busiest airport in terms of passenger traffic. Total cargo traffic handled for the same period reached approximately 7.56 tonnes.

Haikou Meilan International Airport, located southeast of Haikou, the capital city of Hainan province, was officially opened on 25 May 1999. It is the largest airport in Hainan, covering an area of 583 hectares. With modern facilities meeting the 4E standards as required by the International Civil Aviation Organisation, it serves both domestic and international passengers. After expansion, its passenger terminal building has an area of 102,000 square metres, raising its capacity to handle passenger throughput of up to 9.3 million passengers annually. In 2014, it handled approximately 16.17 million passengers, 121,800 flight movements and 12.11 tonnes of cargo and was the 19th busiest airport in China in terms of passenger traffic. Haikou Meilan International Airport is operated by HNA Infrastructure, the shares of which are listed on The Stock Exchange of Hong Kong Limited (Stock Code: 357).

Both located in Hainan, Sanya Phoenix International Airport and Haikou Meilan International Airport are well positioned to play an important role in the development of Hainan as an international tourist destination, which is part of the 12th Five-Year Plan promulgated by the PRC National People's Congress.

A number of these member airports of the Parent Group are exemplification of strategic cooperation between the Parent Group and various provincial and municipal governments in the PRC, including Haikou Meilan International Airport, Sanya Phoenix International Airport, Yichang Sanxia Airport, Tangshan Sannuhe Airport and Manzhouli West Skirts Airport.

v) **Retail Business**

The Parent Group has retail business in Western China and is exploring the rest of the Chinese domestic market. The Parent Group seeks to bring the concepts of “health, wealth, happiness and harmony” to its retail business and to adopt a business strategy that integrates real and virtual businesses, electronic commerce and financial services. The Parent Group carries out its retail business through 16 companies with an established nationwide retail network of 316 retail stores in locations including Shaanxi, Gansu, Tianjin, Shanghai and Beijing, comprising 15 department stores, 300 supermarkets and a shopping mall covering an operating floor area of 1.26 million square metres. In 2014, HNA Commercial Holding Co., Ltd., a subsidiary of the Keepwell Provider, ranked 20th in the list of Top 100 Chain Stores in China in terms of sales volume, which was awarded by the China Chain Store & Franchise Association.

The Parent Group's key retail operations include the following:

- Xi'an Minsheng Parent Group Co., Ltd. (“**Minsheng Parent Group**”), a subsidiary of the Keepwell Provider, is a long-established brand name in Xi'an, Shaanxi province with leading position in retail markets. Its shares have been listed on the Shenzhen Stock Exchange since 1994. Minsheng Parent Group has 13 department stores across central cities in Shaanxi, such as Xi'an, Baoji, Hanzhong, Yan'an, and Ankang, as well as eastern areas of Gansu province, and more than 100 supermarkets covering Shaanxi and eastern Gansu. It employs over 5,000 employees.
- Hunan Joindoor Supermarket is a large Hunan-based chain retail enterprise, operating over 60 stores, including hypermarkets, supermarkets and convenience stores. Its stores are located in Changsha, Yueyang, Yiyang, Changde, Hengyang, Zhuzhou, Loudi, Xiangxiang. With its total operating area of 300,000 square meters, Hunan Joindoor Supermarket has over 4,800 employees.
- Haikou Seaview International Plaza, a mid to high-end shopping centre located in the business centre of Haikou, is the first and only commercial enterprise selected by the Ministry of Commerce as “Jinding Department Store”, the highest grading accorded to stores. In 2011, it was among the first batch of designated tax rebate shops for foreign tourists in Hainan. In 2012, it won the title of Hainan's Top Ten Consumer Goods Enterprise with its total score ranking the first place in Hainan.
- Qingdao HNA Wanbang Center is a complex of office buildings, apartments and commercial buildings located in the central business district of Qingdao. It comprises a 51-storey, 5A class intelligent office building, the highest in Qingdao, a 30-storey luxury apartment and a four-storey high-end commercial shopping mall.

vi) **Real Estate**

The Parent Group has developed various types of luxury hotels, office buildings, urban complexes, high-end residences and large-scale eco-tourism scenic spots. As of December 2014, the Parent Group has 47 projects in construction with an approximate area of over six million square meters. As at 31 December 2015, the Parent Group had real estate

operations over 40 cities in China, including Hainan, Beijing, Shanghai, Shenzhen, Tianjin, Chongqing, Qingdao and Dalian.

In 2014, the Parent Group completed five real estate development projects with a gross saleable area of 734,900 square metres, with pre-payments amounting to CNY6.567 billion. As at the end of 2014, the Parent Group held over 100 real estate projects, with construction area of over 4 million square metre and land reserves of approximately 700,000 mu. Of these, 47 projects were under development or which were about to commence development, and of which 13 were located in Haikou, 8 were located in other areas of Hainan Province and 10 were located in other areas of China.

vii) Hotel and Catering

The Parent Group owns 28 hotels that are consolidated into the results of the Parent Group, of which 15 are five-star hotels and eight are four-star hotels. As at the end of 2014, such hotels had a total of 6,783 guest rooms and received over 1.8 million guests during 2014. In 2014, the Parent Group ranked fifth among hotels in China in terms of number of rooms operated. Through its subsidiary, HNA Hotel, the Parent Group also operates and holds interests over 60 hotels, including high end business hotels, resorts hotels, condominiums, budget hotels, clubhouses and golf courses etc. The locations of the Parent Group's hotel operations are located in major cities and tourist destinations in the PRC as well as overseas, including Brussels, Hainan, Beijing, Guangzhou, Hangzhou, Xi'an, Qingdao, Nanchang, Kunming, Harbin, Changchun, Ningbo, Dalian and Baoji. The Parent Group also cooperates with international hotel groups such as Westin, Raffles and Marriott for the management of over 20 hotels owned by the Parent Group, including Marriott Beijing Northeast, Tianjin HNA Raffles and Guangzhou HNA Westin. In 2013, the Parent Group ranked 69th (in terms of number of hotel rooms) globally in the list of "Hotels 325" published by the Hotels Magazine.

The Parent Group has developed two distinctive series of brands for different types of hotels, aiming to create unique following and loyalty for each of such brands. The Tangla series of hotel brands is used for the Parent Groups premium luxury hotels, including the Tangla Grand Place, Tangla Hotels & Resorts, the Tang Hotel and Gardenlane Select. HNA series of hotel brands include HNA Grand Hotel, HNA Business Hotel and HNA Express Inn. The Parent Group uses the advanced management concepts and systems and first-rate quality standards and methods to consolidate brands through standardised operation, expand brands through scale mergers and acquisitions, and seeks to become a world-class Chinese hotel brand enterprise.

In conjunction with its hotel business, the Parent Group also operates restaurants at various hotels operated by the Parent Group, offering a range of cuisines and dining options for its hotel guests.

viii) Logistics and Transportation

The Parent Group conducts the following principal areas of logistics business: shipping and marine engineering construction, marine transportation, bulk commodity trading and cold chain system logistics.

- Shipping and marine engineering construction. Jinhai Heavy Industry Co., Ltd., an affiliated enterprise of HNA Logistics Parent Group Co., Ltd and among the top ten shipbuilding enterprises in China, is engaged in the businesses of shipbuilding, marine shipping equipment, marine engineering equipment and non-shipbuilding equipment manufacturing, and aims to become a world-class equipment manufacturer. It has equipped itself with the capacity and conditions to build various types of vessels for the domestic and international customers, including large and medium container vessels, liquefied natural gas ("LNG") carriers, liquefied petroleum gas (LPG) carriers, ro-ro vessels, floating storage tankers, refined oil tankers, crude oil tankers, bulk carriers, passenger ships and special working vessels.
- Marine transportation operation. The maritime operations under HNA Logistics Parent Group Co., Ltd cover container transport, bulk cargo transport, tanker transport, ship and crew management and many other businesses. It has operated almost 40 vessels. It has also signed many long and mid-term cargo transport contracts with regular customers and operates the foreign trade routes including the Oceania route, America route, Japan route, Korea route and Southeast Asia routes and a number of domestic routes.
- Bulk commodity trading. Gopay Information Technology Co., Ltd. under HNA Logistics Parent Group Co., Ltd is a third-party payment company with the full licenses including licence for Internet payment, mobile phone payment, prepaid card and acquiring service. It operates in market segments such as bulk commodity trading, business-to-consumer (B2C) business, prepaid card, acquiring service and financial service. Relaying on its payment business, data processing technology and trade settlement platform, Gopay has well integrated

HNA's industrial resources and by virtue of three major tools including Internet of things, big data and cloud computing, has created a new Internet based financial mode and is striving to develop to a leading comprehensive third-party payment platform.

- Cold chain system logistics. HNA Sinosun Logistics Co., Ltd. under HNA Logistics Parent Group Co., Ltd specialises in cold chain transport operations, and is among the top 50 enterprise in China's food cold chain logistics. Presently, it has established good business relationship with Nestle, Starbucks, KFC, IKEA, DHL and other brands, and is devoted to become the first integrated air and sea intermodal service provider throughout the cold chain.

ix) **Other Businesses**

The Parent Group is also engaged in the businesses of culture, media and new energy.

RECENT DEVELOPMENTS

Non-public issuance of A Shares

On 16 April 2015 and 11 May 2015, the board of HNA Investment Parent Group Co., Ltd. has approved the non-public issuance of its A shares of no more than 3,053,435,114 shares. The total amount of proceeds is expected to be no more than CNY12 billion. The proceeds from the non-public issue of shares, after deduction of all issuance costs, were intended to be used for the capital increase of Bohai International Trust Co., Ltd, acquisition of equity interests in Sinosafe Insurance, acquisition in Beijing Xinsheng Medical Investment Management Co., Ltd. and replenishment of working capital. The issuance is conditional on, among other things, the requisite approvals obtained from the China Securities Regulatory Commission ("CSRC") and all other relevant regulatory authorities in China and applicable jurisdictions.

On 13 April 2015 and 19 June 2015, the board of Hainan Airlines approved the non-public issuance of its A shares of no more than 6,703,910,614 shares. On 30 December 2015, Bohai Leasing completed the non-public issuance of 2,635,914,330 A shares. The total amount of proceeds was CNY16,000,000,000. The proceeds from the non-public issue of shares, after deduction of all issuance costs, were intended to be used for expansion of Aircraft leasing business by HKAC, expansion of leasing business by Tianjin Bohai Hainan Airlines and repayment of liabilities.

Reorganisation of E-Food Parent Group

In April 2015, as part of its reorganisation plan, the board of E-food Parent Group Co., Ltd ("**E-Food Parent Group**") (SZSE: 00796), an indirect subsidiary of the Keepwell Provider, entered into a share purchase agreement with HNA Tourism and Caissa Shijia Tourism Management Consulting Limited (凱撒世嘉旅遊管理顧問股份有限公司) ("**Caissa Shijia**") pursuant to which E-Food Parent Group will purchase the HNA Tourism's and Caissa Shijia's respective shareholdings in Caissa Tongsheng (Beijing) Investment Co., Ltd. (凱撒同盛(北京)投資有限公司) ("**Caissa Tongsheng**"). E-Food Parent Group agreed to issue a total of 432,432,421 of its A shares to HNA Tourism and Caissa Shijia as consideration for the purchase. The total amount of proceeds from the issuance was CNY2,400,000,000. The board of E-food Parent Group also approved the issuance of its A shares of no more than 124,025,812 shares in return for capital to be used for investing in Caissa Tongsheng's key businesses, including sales and marketing projects in the PRC, upgrade of IT and e-commerce platform, various tourism projects. The total amount of proceeds from the issuance was CNY799,966,487.40. The above share issuances have been approved by the CSRC on 21 September 2015 and completed on 9 November 2015. E-Food Parent Group has also changed its name into HNA-Caissa Travel Parent Group Co., Ltd.. Pursuant to the share issuance, HNA Tourism Parent Group became the largest shareholder of HNA-Caissa Travel Parent Group Co., Ltd, with shareholding increased from 1.00% to 31.79%.

Acquisition of Xi'an Xingzhengyuan Shopping Centre Co Ltd.

On 1 July 2015, Xi'an Minsheng Parent Group Co Ltd ("**Xi'an Minsheng**") received the CSRC's approval in connection with its proposed acquisition of 67.59% of shareholding in Xi'an Xingzhengyuan Shopping Centre Co Ltd, owned by HNA Retailing Holdings Limited ("**HNA Retailing**"), the purchase of certain property in Luomashi, Xi'an, owned by Xingzhengyuan Property Development Co., Ltd. ("**Xingzhengyuan Property**") and associated capital raising activities. Pursuant to such CSRC approval, Xi'an Minsheng may non-publicly issue (i) no more than 112,311,015 of its A shares to HNA Retailing in consideration of its proposed share acquisition and (ii) no more than

82,073,434 of its A shares to Xinzhenyuan Property in consideration of its proposed property purchase. In addition, Xi'An Minsheng may issue no more than 106,714,628 new shares to the public for raising supporting capital in connection with the share and property acquisition.

Subscription of convertible bonds issued by AID Partners

On 20 July 2015, AID Partners Capital Holdings Limited (“**AID Partners**”), an indirect subsidiary of the Keepwell Provider, completed the issuance of convertible bonds in aggregate principal amount of HK\$140,000,000 bearing compound interest of 8 per cent. per annum to its substantial shareholder, Hong Kong HNA Holding Parent Group Co. Limited, also an indirect subsidiary of the Keepwell Provider. Based on the initial conversion price of HK\$0.325 per share and assuming full conversion of the said convertible bond at the initial conversion price, the said convertible bond will be convertible into 430,769,230 shares of AID Partners. The net proceeds will be used as investment capital for the strategic investment business of AID Partners for the expansion of its asset management business and related financial platform as well as for general working capital of the AID Partners group.

Acquisition of Swissport International Ltd.

On 30 July 2015, the Keepwell Provider entered into an agreement with PAI Partners, a leading European private equity firm, in respect of the acquisition of Swissport International Ltd. (“**Swissport**”) by the Keepwell Provider for a total transaction value of CHF2.7 billion (approximately U.S.\$2.8 billion). The acquisition has been completed in the first quarter of 2016.

Based in Switzerland, Swissport is one of the world’s leading operator in ground handling and cargo services. It serves around 224 million passengers and handles 4.1 million tonnes of cargo a year on behalf of some 700 client-companies. With a workforce of around 60,000 personnel, Swissport is active at more than 270 stations in 48 countries across five continents. The Parent Group believes that the proposed acquisition, if completed, will create opportunities for synergy with the Parent Group’s existing airport services business, and further strengthen and complement the Parent Group’s existing activities including aviation, airport management, logistics and tourism businesses globally.

Acquisition of 30 South Colonnade in London

On 28 August 2015, HNA Investment Holding Co, Ltd, a subsidiary of the Keepwell Provider entered into an agreement with KanAm Grund Parent Group, a German real estate investment fund for the acquisition of 30 South Colonnade, Canary Wharf, London, United Kingdom.

30 South Colonnade is a landmark office building at the centre of Canary Wharf, one of London’s major financial districts. The building extends over 10 storeys, with a total area of 305,600 square feet and is the European headquarters for Thomson Reuters. Located near other notable tenants in Canary Wharf including Citigroup, HSBC, Northern Trust, and Morgan Stanley, it is prominently situated near the centre of the Canary Wharf estate and is regularly featured in the media with the Reuters digital ticker tape providing the backdrop. The acquisition marked the first real estate acquisition by the Parent Group in Europe and represented a significant step in building the Parent Group’s European portfolio.

Acquisition of Avolon Holdings Ltd

On 3 September 2015, Bohai Leasing entered into a definitive merger agreement to acquire 100% of Avolon Holdings Ltd (“**Avolon**”) for approximately U.S.\$2.555 billion, representing a price of U.S.\$31 cash per common share. The offer price of U.S.\$31 per common share represents a 31% premium to Avolon’s closing price on 13 July 2015 of U.S.\$23.73 per common share, the closing price prior to the announcement of Bohai Leasing’s initial intention to acquire a 20% stake in Avolon. The purchase price for the acquisition is guaranteed by the Keepwell Provider. The acquisition has been completed on 11 January 2016.

Avolon is an international aircraft leasing company listed on the New York Stock Exchange. It is headquartered in Ireland, with regional offices in China, Dubai, Singapore and the United States. According to the statistic from the aircraft magazine *Airline Business*, Avolon is the 11th largest aircraft leasing company in the world, based on the value of the fleet. Avolon provides aircraft leasing and lease management services. As at 30 June 2016, Avolon had an owned, managed and committed fleet of 418 aircraft serving 85 customers in 41 countries. The book value of the aircraft assets has reached U.S.\$6.36 billion. The acquisition of Avolon represents a strong complement to the Parent Group’s existing investment in the aircraft leasing sector, and according to the statistics of Finance & Leasing, Bohai Leasing would be among the global top 10 aircraft leasing company after completion of the acquisition.

Civil Aircraft Engine and Maintenance Service Agreement with Rolls-Royce

On 21 October 2015, the Parent Group entered into a civil aircraft engine and maintenance service agreement with Rolls-Royce Holdings Plc (“**Rolls-Royce**”), under which the Parent Group’s new wide-body aircraft are to be powered by Rolls-Royce’s engines and maintenance services worth U.S.\$2.4 billion.

HNA Parent Group’s wide-body aircraft, regional aircraft and business jets have Rolls-Royce engines installed. The engines included in the agreement will power a total of 44 aircraft that have already been ordered with Airbus by the Parent Group’s airline subsidiaries, including Airbus A330s, A350-900s and A330 Freighters. After the delivery of HNA Parent Group’s new wide-body aircraft order has been completed, the proportion is expected to further increase. Pursuant to the agreement, the Parent Group may become one of the world’s largest companies operating an A330 aircraft fleet maintained and powered by Rolls-Royce’s engines.

The British-based Rolls-Royce Parent Group is a world-renowned manufacturer of power systems and energy equipment. Its technology is widely used in the field of aviation, waterborne vessels and energy generation. In the field of civil aviation, Rolls-Royce has a wide range of engines and manufactures engines to power different models of wide-body aircraft, regional aircraft and business jets. In 2014, Rolls-Royce Parent Group recorded a total operating income of £13.725 billion.

Launch of Beijing-Manchester Route

On 23 October 2015, Hainan Airlines announced that it will launch a Beijing-Manchester route in June 2016. The new route will be the first nonstop service between the two cities. Manchester Airport is the international gateway to the North of England and the new route is expected to inject over £250 million into the economy of the United Kingdom.

The launch of the Beijing-Manchester route is part of Hainan Airlines’s ‘One Belt, One Road’ initiative, where nonstop flights connecting China with Europe have been introduced over the last few years. The Beijing-Manchester route will be Hainan Airlines’ sixth international route following the launch of the Chongqing-Rome, Beijing-San Jose, Shanghai-Boston, Shanghai-Seattle and Beijing-Prague routes in early 2015. The launch of the Beijing-Manchester route will further broaden Hainan Airlines’ global network.

Change of ultimate control of the Keepwell Provider

On 13 November 2015, the Board of Hainan Liberation Commonwealth Foundation (海南省慈航公益基金會) (the “**Fund**”), the Keepwell Provider’s controlling shareholder, approved the amendments to the Foundation’s articles of association, pursuant to which Trade Union Committee of Hainan Airlines Co., Ltd. (海南航空股份有限公司工會委員會) (the “**Union**”) ceased to have control of the board of the Fund, which in turn ceased its ultimate control of the Keepwell Provider. The Fund acquired ultimate control of the Keepwell Provider and remains as the controlling shareholder of the Keepwell Provider.

Issuance of domestic corporate bonds

On 26 November 2015, the Keepwell Provider issued CNY3,000,000,000 fixed rate domestic corporate bonds due 2022 in the PRC. The bonds are guaranteed by Grand China Air Co., Ltd.. The domestic corporate bonds have been rated AA+ by Shanghai Brilliance Credit Rating & Investor Service Co., Ltd.

Potential Acquisition of Azul Linhas Aereas Brasileiras SA

On 24 November 2015, the Parent Group announced the entering into of a strategic partnership agreement with Azul Linhas Aereas Brasileiras SA (“**Azul**”), whereby the Parent Group has agreed to acquire 23.7% stake in Azul, at a consideration of U.S.\$450 million. The Parent Group announced that the acquisition was completed on 4 August 2016 and upon completion of the acquisition the Parent Group became the biggest individual shareholder of Azul and appointed three directors to the board of Azul. The companies will cooperate in the development of code sharing, new route development, and the expansion of loyalty participation programmes.

Azul is the largest airline in Brazil by number of cities served, and the third largest airline in Brazil by market share, offering more than 900 daily flights to 101 destinations. With a fleet of 140 aircraft and more than 10,000 crewmembers, Azul currently has a 32% share of departures of the Brazilian aviation market. Among other awards, Azul was named best low cost carrier in South America for the fifth consecutive time by Skytrax in 2015 and best low cost carrier in the world by CAPA in 2012. The airline also had best on-time performance in Brazil in 2014 and was

recognized by FlightStats as having the best on-time performance in South America in 2012. The acquisition of Azul will be a first foray into Latin America for the Parent Group and the Parent Group believes that the partnership will bring more choice and convenience to its customers traveling to and from Brazil.

Potential acquisition of Ingram Micro Inc.

On 18 February 2016, Tianjin Tianhai Investment Company, Ltd. (“**Tianjin Tianhai**”), a listed subsidiary of the Keepwell Provider on the Shanghai Stock Exchange, announced the entering into of a definitive merger agreement with Ingram Micro Inc. (“**Ingram Micro**”), whereby Tianjin Tianhai will acquire Ingram Micro for U.S.\$38.90 per share in cash with an equity value of approximately U.S.\$6.0 billion, representing a premium of approximately 39% over the average closing share price of Ingram Micro for the 30 trading days ended 16 February 2016. The Keepwell Provider and Ingram Micro announced that they have completed the acquisition on 6 December 2016.

Ingram Micro is a technology, mobility, cloud, and supply chain solutions provider based in California, United States. It is listed on the New York Stock Exchange and a Fortune 500 corporation. The company supports global operations through an extensive sales and distribution network throughout North America, Europe, Middle East, Turkey and Africa, Latin America and Asia Pacific. After the acquisition is completed, Ingram Micro will become the largest subsidiary of the Parent Group in terms of revenue. The Parent Group will be able to access business opportunities in its emerging markets network, which have higher growth rates and better profitability. The proposed acquisition will help facilitate the internationalisation process of the Parent Group and its transformation from logistic operator to a supply chain operator.

Acquisition of International Currency Exchange

On 15 April 2016, HNA Tourism Parent Group Co., Ltd. (“**HNA Tourism**”), a division of the Keepwell Provider, has reached agreement with UK-based Lenlyn Holdings Limited to buy 100% of British bureau-de-change operator International Currency Exchange (“**ICE**”). Founded in 1973 and headquartered in London, ICE is one of the world’s largest currency exchange retailers, with a network of over 350 branches and bureaux in 70 airports and multiple other locations in 19 countries.

The Keepwell Provider believes that the acquisition will be a valuable addition to its global coverage of financial services for overseas tourism, and will provide important support to the acceleration of the pace of its internationalisation.

The acquisition of ICE is subject to regulatory approvals and other customary conditions precedent. Accordingly, the acquisition may or may not complete.

Acquisition of Carlson Hotels, Inc.

On 27 April 2016, HNA Tourism entered into an agreement with Carlson Hospitality Parent Group, for the acquisition of Carlson Hotels, Inc. (“**Carlson Hotels**”). Carlson Hotels is one of the world’s largest hotel groups and includes 1,400 hotels in operation and under development with more than 220,000 rooms and a footprint spanning 115 countries and territories. The Carlson Hotels portfolio includes the following global brands: Quorvus Collection, Radisson Blu®, Radisson®, Radisson RED, Park Plaza®; Park Inn® by Radisson, Country Inns & Suites By CarlsonSM and Club CarlsonSM, the global hotel rewards program.

Under terms of the acquisition agreement, HNA Tourism Parent Group will acquire 100% of Carlson Hotels, including its approximately 51.3 percent majority stake in the Stockholm-listed Rezidor Hotel Parent Group AB (“**Rezidor**”), Carlson Hotel’s master licensee is based in Brussels, with hotels in Europe, the Middle East and Africa.

The Parent Group believes that the combination of HNA Tourism Parent Group and Carlson Hotels will have increased ability to accelerate growth through investments in areas such as digital, owned assets in major gateway cities, building of Radisson RED and other new brands. The acquisition of Carlson Hotels is expected to completed in the second half of 2016 and is subject to receipt of regulatory approvals and other customary conditions precedent. Accordingly, the acquisition may or may not complete.

Strategic Alliance with Virgin Australia

On 31 May 2016, HNA Aviation Parent Group Co. Ltd (“**HNA Aviation**”), a division of the Keepwell Provider, entered into a heads of agreement with Virgin Australia Holdings Limited (ASX: VAH) (the “**Virgin Australia Parent**

Group”) to form a strategic commercial alliance. Under the alliance, the companies will look to introduce direct flights between Australia and China. The alliance will also involve co-operation on code-sharing, frequent flyer programs, lounge access and promotion of tourism and business travel.

In support of the alliance, HNA Aviation will make an equity investment in the Virgin Australia Parent Group. The investment will be made in the form of shares placings. Following a top-up placement on 20 September 2016, HNA Aviation held approximately 19.17 per cent equity in the Virgin Australia Parent Group via its subsidiary, HNA Innovation Ventures (Hong Kong) Co. Ltd. HNA Aviation intends to increase its shareholding over time up to 19.99 per cent. HNA Aviation also will be invited to nominate a director to the Virgin Australia Parent Group board.

The strategic alliance and share placement are subject to regulatory approvals and other commercial conditions precedents, and accordingly may or may not complete.

Acquisition of gategroup Holding AG

On 11 April 2016, the Keepwell Provider and gategroup Holding AG (“**Gategroup**”) entered into a definitive transaction, pursuant to which HNA Aviation (Hong Kong) Air Catering Holding Co., Ltd., a subsidiary of the Keepwell Provider launched an all cash public tender offer for all publicly held registered shares of Gategroup for US\$1.5 billion. The tender offer was completed on 7 July 2016 and the settlement of the offer is expected to occur at the end of the third quarter or beginning of the fourth quarter of 2016.

Listed on the SIX Swiss Exchange, Gategroup is the leading independent global provider of products, services and solutions related to a passenger’s onboard experience. It specialises in catering and hospitality, provisioning and logistics; and onboard products and services to companies that serve people on the move. Upon completion of the public tender offer, the Keepwell Provider intends to delist Gategroup from the SIX Swiss Exchange and operate the company as an autonomous portfolio company within the Parent Group.

The Keepwell Provider believes that this deal will be helpful as the Parent Group steps up its international expansion pace and strengthens its capacities in the field of air catering, bringing about synergy effects and is targeted to be completed before January 2017

Acquisition of Commercial Property at 17 Columbus Courtyard, Canary Wharf

On 18 April 2016, HNA Holding Parent Group Co. Limited., a subsidiary of the Company, entered into a sale and purchase agreement to purchase a commercial property at 17 Columbus Courtyard, Canary Wharf, London for a purchase price of GBP131 million.

The property, 17 Columbus Courtyard, is a commercial building situated in Canary Wharf estate in a waterside position overlooking North Dock to the east and Columbus Courtyard to the south. The total gross floor area of the property is about 195,400 sq.ft. of Grade A office and ancillary accommodation arranged over quay level, ground and nine upper floors, with plant and machinery at basement and roof level. The property has been let to an investment bank of international repute until November 2024 with a tenant option to renew for another 15 years.

Acquisition of Equity Interest in Hilton

On 24 October 2016, Hilton Worldwide Holdings Inc. (NYSE: HLT) (“**Hilton**”), the Keepwell Provider and Blackstone (NYSE: BX) (“**Blackstone**”) announced today that the Keepwell Provider will acquire an approximate 25 percent equity interest in Hilton from affiliates of Blackstone, establishing a long-term strategic investment in Hilton and Hilton’s planned spin-offs of Park Hotels & Resorts (“**Park**”) and Hilton Grand Vacations (“**HGV**”).

The transaction is valued at approximately \$6.5 billion, or \$26.25 per share in cash, reducing Blackstone’s interest in Hilton to approximately 21 percent. The transaction is expected to close in the first quarter of 2017. Following Hilton’s previously announced spin-offs of Park and HGV, which are expected to occur on or about the end of the year, the Keepwell Provider will own approximately 25 percent of all three companies.

As part of the transaction, the Keepwell Provider has entered into a stockholders agreement with Hilton, and into similar agreements with Park Hotels & Resorts and Hilton Grand Vacations, effective upon closing. The agreement allows the Keepwell Provider to appoint two directors (one HNA member and one independent member) to Hilton’s Board of Directors, bringing the total to ten members. Pursuant to the agreement, the Keepwell Provider has agreed to certain restrictions on its ability to sell any of its interest in Hilton for a two-year period, and to limitations on the

Keepwell Provider's ability to acquire more than 25 percent of Hilton's outstanding shares, without Hilton's consent. Furthermore, under the agreement, the Keepwell Provider will vote its shares in excess of 15 percent proportionally with other stockholders, subject to certain exceptions. Blackstone will continue to have two seats on Hilton's Board, including Jon Gray who will remain chairman.

EMPLOYEES

As at 31 December 2015, the Parent Group had over 94,339 employees. Amongst the employees, over 40% had bachelor degrees and over 4% had postgraduate or doctorate degrees.

The Parent Group believes that its employees are critical to its performance and success. Its human resources policy promotes motivation and innovation, which it believes help boost the efficiency of the Parent Group and its competitive edge. Remuneration of its employees comprises fixed basic salary, bonus (determined with reference to the relevant company's results and the relevant employee's performance) and allowances. The Parent Group also provides its employees with welfare benefits in accordance with the applicable laws and regulations, including but not limited to provident fund contributions, medical insurance schemes and insurance. The Parent Group has further established a platform to facilitate dialogue and interaction between employees' representatives and the senior management of the Parent Group. As social responsibility is one of the important values of the Parent Group, community service events are organised from time to time to promote such value and to maintain harmonious working environment for the employees of the Parent Group.

The Parent Group adheres to, and complies with, the relevant labour laws of the PRC in all material respects. It has not experienced any major strike or work stoppage, and there is currently no unresolved major labour dispute that could cause material adverse effect to the operation and performance of the Parent Group.

CORPORATE GOVERNANCE

The Keepwell Provider has established a Management Consultancy Committee which oversees operations of the Parent Group and its subsidiaries (including the Borrower) and the implementation of its strategies, and liaises with various levels of governments. The Safety Management Committee monitors the potential safety hazards relating to each of the Parent Group's business segments, and issues relevant handbooks and guidelines. The Budget Management Committee controls investment decision making and risk management processes to ensure effective supervision during each stage of investment.

INSURANCE

The operations of the Parent Group involve a number of inherent risks, such as mechanical failure, fatality, personal injury, property loss and damage, business interruption, hostilities and labour strikes. The Parent Group is covered by insurance policies by reputable insurance companies in the relevant jurisdictions and with commercially reasonable deductibles and limits on coverage. It believes that the insurance coverage in place are in line with industry and market standards and is adequate and sufficient for the conduct of its businesses.

LEGAL PROCEEDINGS

As at the date of this Offering Circular, the Keepwell Provider and its subsidiaries have not been involved in any legal or administrative proceedings or arbitration that could have a material adverse effect on their respective financial condition or results of operations, nor is the Keepwell Provider aware of any potential legal or administrative proceedings or arbitration involving the Keepwell Provider or any of its subsidiaries that would have a material adverse effect on the Parent Group's financial condition or results of operations. The Keepwell Provider and its subsidiaries however may from time to time be involved in certain legal proceedings arising out of their ordinary course of businesses. The Parent Group is currently involved in legal proceedings with Shagang Shipping involving disputed claims of U.S.\$66.4 million and the Parent Group believes that it has a legitimate defence in the lawsuit. The Parent Group believes that none of these legal proceedings, individually or in the aggregate, will have any material adverse effect on the Parent Group's financial position or results of operations.

DESCRIPTION OF THE DEMAND GUARANTOR

The information set out below relating to the Demand Guarantor has been obtained from public sources. None of the Borrower, the Keepwell Provider, the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank, nor the Issuer has separately verified such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Borrower, the Keepwell Provider, the Joint Bookrunners and Global Coordinators, the Trustee, the Security Trustee, the Transaction Administrator, the Agents, the Facility Agent, the Security Agent, the Account Bank, the Issuer or the Demand Guarantor or any of their respective affiliates, directors or advisors, as to the accuracy or completeness of the information relating to the Demand Guarantor set out below.

OVERVIEW

CCBC is a leading commercial bank in China providing a comprehensive range of banking products and financial services. CCBC was incorporated as a joint stock company in the PRC on 17 September 2004 and its business licence number is 100000000039122. The registered address of CCBC is No. 25, Finance Street, Xicheng District, Beijing 100033, China and its telephone number is +86 10 6621 5533. Headquartered in Beijing, CCBC provides convenient and quality banking services to its customers through an extensive network comprised of nationwide branches, self-service facilities and an electronic banking service platform. CCBC operates principally in mainland China with branches in all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in mainland China. CCBC's principal business activities include corporate banking, personal banking, treasury, investment banking and overseas business. Within CCBC's corporate banking business, CCBC offers a broad range of products and services to corporations, government agencies and financial institutions, including infrastructure loans, working capital loans, syndicated loans, supply-chain financing, loans to medium-sized enterprises ("SMEs"), trade financing, loans through CCBC's e-banking platform and merger and acquisition financing. CCBC also offers corporate deposits under various terms and commission/fee based services, including agency services, cost and advisory services, institutional business, asset custodial business, and treasury management and settlement business. CCBC provides a broad range of personal banking products and services under well recognised brands, including residential mortgage loans, entrusted housing provident fund mortgage loan services and bank card services. CCBC's treasury operations primarily consist of money market trading activities, investment portfolio management and agency treasury transactions. CCBC conducts its treasury services mainly through its trading centres in Beijing and Hong Kong. CCBC conducts its investment banking business through the investment banking department at the head office and branch levels as well as through CCB International Capital Limited ("**CCB International**"). CCBC offers a comprehensive and diversified suite of financial services to its customers which includes, among others, financial advisory services, equity capital financing, debt financing, asset securitisation and wealth management services. Leveraging its vast resources and geographic advantages in the Chinese domestic market, CCBC is committed to providing a world-wide banking and financial services platform to service the overseas banking needs of its domestic corporate and personal banking customers and the domestic banking needs of its overseas corporate and personal banking customers seeking to trade with or invest in China. The Group adheres to a positive and steady international operation and overseas development strategy, leading to a steady expansion of its overseas network. On 29 August 2014, CCBC completed its purchase of its 72% interest in Banco Industrial e Comercial S.A. ("**BIC**") in Brazil. In accordance with local laws and regulations, CCBC initiated the offer to purchase the remaining tradable shares of BIC in August 2015, and completed the transaction in December 2015 with its shareholding increased to 99.05%, which was followed by the delisting of BIC from the exchange and its renaming as China Construction Bank (Brasil) Banco Múltiplo S/A ("**CCB Brasil**"). In May 2015, Chile Branch became the first RMB clearing bank in South America. In June 2015, Paris Branch, Amsterdam Branch, Barcelona Branch and Milan Branch under CCB Europe were successively opened. Cape Town Branch (under Johannesburg Branch) commenced business in September 2015. London Branch commenced business in October 2015. Zurich Branch was established and designated as the RMB clearing bank in November 2015, and Dubai International Financial Centre Branch received its official banking licence and commenced business in November 2015. As at 30 June 2016, the Group had 28 tier-one overseas branches, covering 26 countries and regions including Hong Kong, Singapore, Germany, South Africa, Japan, South Korea, US, UK, Vietnam, Australia, Russia, Dubai, Taiwan, Luxembourg, Macau, New Zealand, Canada, France, Netherlands, Spain, Italy, Switzerland, Brazil, Cayman Islands, Ireland, and Chile, and wholly-owned operating subsidiaries including China Construction Bank (Asia) Corporation Limited ("**CCB Asia**"), China Construction Bank (London) Limited ("**CCB London**"), China Construction Bank (Russia) Limited Liability Company ("**CCB Russia**"), China Construction Bank (Dubai) Limited ("**CCB Dubai**"), CCB Europe and China Construction Bank (New Zealand) Limited ("**CCB New Zealand**"). The Group's overseas entities covered 26 countries and regions.

As at 30 June 2016, the Group's total assets, total liabilities and total equity were RMB19,760,148 million (including gross loans and advances to customers of RMB11,137,877 million), RMB 18,254,188 million (including total deposits from customers of RMB 14,675,541 million) and RMB1,505,960 million, respectively. For the year ended 31 December 2015, the Group's net interest income was RMB457,752 million, representing an increase of 4.65% over the same period in 2014 and the profit before tax was RMB298,497 million, representing a decrease of 0.20% over the same period in 2014. For the six months ended 30 June 2016, the Group's net interest income was RMB210,990 million, representing a decrease of 6.07% over the same period in 2015 and the profit before tax was RMB 169,878 million, representing an increase of 0.40% over the same period in 2015. The NPL ratio of the Group as at 30 June 2016 was 1.63%, representing an increase of 0.05% as compared to the corresponding ratio as at 31 December 2015. As at 30 June 2016, the NPL ratio for domestic corporate loans was 2.67%, an increase of 0.17 percentage points from 31 December 2015, and the NPL ratio for personal loans and advances was 0.57%, an increase of 0.05 percentage points over 2015. As at 30 June 2016, the NPL ratio for overseas entities and subsidiaries was 0.43%, representing a decrease by 0.02 percentage points from 31 December 2015. As at 30 June 2016, the Group's total capital ratio was 15.09% and common equity tier one ratio was 13.06%, representing a decrease of 0.30% and 0.07%, respectively, as compared to the corresponding ratio as at 31 December 2015. In the first half of 2016, CCBC proactively optimised the structure of on and off-balance sheet businesses and accelerated the development of businesses with less capital occupation and higher return. The decline in CCBC's total capital ratio was mainly due to the slower growth rate of total capital after deductions than that of risk-weighted assets, as a result of the distribution of dividends in 2015 and the decrease of unqualified subordinated debt securities that could be included in capital.

In 2015, faced with a complex business environment, the Group continued to serve the real economy, focused on deepening reform, accelerated business transformation and development and strengthened risk management in accordance with its strategic vision of "integration, multifunction and intensiveness", resulting in the balanced development of the Group's business scope, quality and profitability. The Group maintained a stable market position and its core indicators and market capitalisation continued to be in the leading position among peers. The Group formulated its Transformation and Development Plan of China Construction Bank in 2014, which proposed to accelerate its transformation into a comprehensive banking group and a multi-functional service, intensive growth, innovative and intelligent bank. In accordance with the need to enhance the Group's capacity to serve the PRC's national development, to prevent financial risks and to compete internationally, the Group specified seven key points of transformation, including promoting the management assets and liabilities, strengthening and developing its wholesale business, accelerating the development of its retail business, improving the quality of electronic banking business, enhancing its asset management business in a comprehensive way for its customers, strengthening the competitiveness of subsidiaries and accelerating the expansion of international business and overseas operations.

In the first half of 2016, the Group received 122 accolades from renowned local and international institutions. In 2015, the Group ranked 2nd by tier-one capital in "Top 1000 World Banks" in 2015 by Banker; the second place in "Global 2000" published by Forbes; and was awarded "Best Bank in China" from the U.S. magazine Global Finance, and Hong Kong magazines The Asset and Corporate Treasurer. In addition, the Group won numerous awards from major domestic and foreign media for its achievements in fields including corporate governance, corporate social responsibilities, risk management, corporate credit, retail business, investment custodial business, underwriting of debt securities, credit card, housing finance and information technology.

OVERVIEW OF CHINA'S BANKING INDUSTRY

China's banking industry has grown rapidly in the past decade, primarily driven by the rapid development of China's economy. From 2010 to 2015, total RMB-denominated loans and deposits of China's financial institutions grew at a CAGR of 14.4% and 13.6%, respectively, and total RMB-denominated loans grew from RMB47.9 trillion as of 31 December 2010 to RMB94.0 trillion as of 31 December 2015, while total RMB-denominated deposits grew from RMB71.8 trillion as of 31 December 2010 to RMB 135.7 trillion as of 31 December 2015. The following table sets forth total RMB and foreign currency-denominated loans and deposits of China's financial institutions as of the dates indicated.

	As of 31 December						CAGR (2010-2015)
	2010	2011	2012	2013	2014	2015	
Total RMB-denominated loans (in billions of RMB)	47,920	54,795	62,991	71,896	81,677	93,954	14.4%
Total RMB-denominated deposits (in billions of RMB)	71,824	80,937	91,755	104,385	113,864	135,702	13.6%

Total foreign currency-denominated loans (in billions of US\$)	453	539	684	777	835	830	12.9%
Total foreign currency-denominated deposits (in billions of US\$)	229	275	406	439	573	627	22.3%

Source: PBOC

In line with rising national income levels, personal deposits have achieved rapid growth and have been the most important source of funding for China's banking industry. From 2010 to 2015, the CAGRs of domestic personal RMB-denominated time deposits and demand deposits were 13.3% and 10.3%, respectively. The following table sets forth data of domestic personal RMB-denominated time deposits and demand deposits as of the dates indicated.

	As of 31 December						CAGR (2010-2015)
	2010	2011	2012	2013	2014	2015	
Personal RMB-denominated time deposits (in billions of RMB)	18,404	21,047	24,792	28,332	31,980	34,321	13.3%
Personal RMB-denominated demand deposits (in billions of RMB)	12,434	13,758	15,827	17,805	18,271	20,287	10.3%

Source: PBOC

In addition to the traditional corporate loan business, personal loan business and fee- and commission-based products and services of China's banking industry have achieved significant growth in recent years. On one hand, RMB-denominated personal loans grew at a CAGR of 19.1% from 2010 to 2015, according to the CBRC. On the other hand, the proportion of non-interest income of PRC commercial banks grew from 17.5% in 2010 to 23.7% in 2015, according to the CBRC. China's sustained economic growth and rising national income levels are expected to further increase the demand for personal banking products and services, demonstrating the growth potential of China's banking industry.

As of 31 December 2015, total assets of China's banking institutions amounted to RMB199.3 trillion, representing a year-on-year growth of 15.7%. In 2015, PRC commercial banks realised an aggregate net profit of RMB1.6 trillion, representing a year-on-year growth of 2.4%. In 2015, PRC commercial banks had an average return on assets of 1.10%, representing a year-on-year decrease of 0.13 percentage points, and an average return on equity of 14.98%, representing a year-on-year decrease of 2.61 percentage points. As of 31 December 2015, the balance of NPLs for PRC commercial banks amounted to RMB1.3 trillion, the NPL ratio was 1.67% and the allowance coverage ratio was 181.18%.

COMPETITIVE LANDSCAPE IN CHINA'S BANKING INDUSTRY

Overall Competitive Landscape

Currently, China's banking industry consists of large commercial banks such as Agricultural Bank of China, Bank of China, Bank of Communications, Industrial and Commercial Bank of China and CCBC (collectively, "**Large Commercial Banks**"), nationwide joint-stock commercial banks, city commercial banks, rural financial institutions, foreign banking institutions and other banking institutions. Large Commercial Banks continue to play a dominant role in China's banking system and have advantages in market share and number of outlets. Nationwide joint-stock commercial banks are also becoming increasingly important with a continued increase in their market share. In addition, city commercial banks operate a variety of commercial banking businesses within the permitted scope and have demonstrated regional advantages. Private capital has started investing heavily in the banking industry. Meanwhile, the scope of foreign banks' Renminbi businesses has been further opened up.

The following table sets forth certain information on China's banking industry by the type of banking institutions as of and for the year ended 31 December 2015.

As of or for the year ended 31 December 2015

	Number of legal entity institutions	Total assets		Total shareholders' equity		Net profit	
		Total amount	Market share (%)	Total amount	Market Share (%)	Total Amount	Market Share (%)
(in billions of RMB, except the number of institutions and percentages)							
Large Commercial Banks ⁽¹⁾	5	78,163.0	39.2%	6,122.8	40.3%	892.5	45.2%
Nationwide joint-stock commercial banks	12	36,988.0	18.6	2,321.2	15.3	337.3	17.1
City commercial banks	133	22,680.2	11.4	1,548.1	10.2	199.4	10.1
Rural financial institutions ⁽²⁾	2,303	24,650.8	12.4	1,783.2	11.7	223.4	11.3
Foreign banking institutions	40	2,680.8	1.3	351.1	2.3	15.3	0.8
Other banking institutions ⁽³⁾	1,768	34,272.6	17.2	2,808.2	20.2	270.9	15.5
Total	4,261	199,345.4	100.0%	15,205.3	100.0%	1,973.8	100.0%

Source: CBRC Annual Report 2015.

- (1) Consisting of Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, Bank of Communications and CCBC.
- (2) Consisting of rural credit cooperatives, rural commercial banks and rural cooperative banks.
- (3) Consisting of policy banks, emerging rural financial institutions (including village and township banks, loan companies and rural mutual cooperatives), privately owned banks and other non-banking financial institutions (including financial asset management companies, Sino-German Bausparkasse, trust companies, finance companies of corporate groups, financial leasing companies, money brokerage firms, auto financing companies and consumer finance companies).

Large Commercial Banks

CCBC, together with Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and Bank of Communications, hold an important position in China's banking system, and have established significant competitive advantages in terms of total assets, funding source and the number of establishments. As of and for the year ended 31 December 2015, Large Commercial Banks together accounted for 39.2% of the total assets, 40.3% of the total shareholders' equity and 45.2% of the total net profit of all banking institutions in China.

The following table sets forth the number of establishments of the Large Commercial Banks as of 31 December 2015.

	As of 31 December 2015
Agricultural Bank of China	23,682
Industrial and Commercial Bank of China	17,498
China Construction Bank	14,945
Bank of China	11,633
Bank of Communications	3,449
Total	<u>71,207</u>

Source: 2015 annual reports of the Large Commercial Banks

The following table sets forth the total assets, total loans and total deposits of the Large Commercial Banks as of 31 March 2016.

	As of 31 March 2016		
	Total Assets	Total loans ⁽¹⁾	Total deposits
(in billions of RMB)			
Industrial and Commercial Bank of China	22,209.8	11,933.5	16,281.9
China Construction Bank	18,349.5	10,485.1	13,668.5
Agricultural Bank of China	17,791.4	8,909.9	13,538.4
Bank of China	16,815.6	9,135.9	11,729.2
Bank of Communications	7,155.4	3,722.0	4,484.8
Total	<u>82,321.7</u>	<u>44,186.4</u>	<u>59,702.8</u>

Source: 2016 first quarter reports of the Large Commercial Banks

- (1) As of 31 March 2016, China Merchants Bank had total loans of RMB2,932.8 billion, ranking sixth among PRC commercial banks.

Nationwide Joint-stock Commercial Banks

Nationwide joint-stock commercial banks play an important role in China's banking industry. As of 31 December 2015, there were 12 nationwide joint-stock commercial banks with licences to engage in nationwide commercial banking activities in China, including China Merchants Bank, China CITIC Bank, Hua Xia Bank, China Everbright Bank, Shanghai Pudong Development Bank, China Minsheng Bank, Industrial Bank, China Guangfa Bank, Ping An Bank, China Zheshang Bank, China Bohai Bank and Hengfeng Bank. As of and for the year ended 31 December 2015, nationwide joint-stock commercial banks together accounted for 18.6% of the total assets, 15.3% of the total shareholders' equity and 17.1% of the total net profit of all banking institutions in China.

City Commercial Banks

City commercial banks are generally permitted to engage in commercial banking activities within their respective designated geographical areas. Some of the city commercial banks have established branches in other cities. As regional financial institutions, city commercial banks are also important components of China's banking industry. As of 31 December 2015, there were 133 city commercial banks in China. As of and for the year ended 31 December 2015, city commercial banks together accounted for 11.4% of the total assets, 10.2% of the total shareholders' equity and 10.1% of the total net profit of all banking institutions in China.

Rural Financial Institutions

Rural financial institutions include rural credit cooperatives, rural commercial banks and rural cooperative banks. Compared with Large Commercial Banks and nationwide joint-stock commercial banks, they mainly provide limited banking products and services to enterprises and residents in the County Areas, including personal deposits, loans and settlement services. As of 31 December 2015, there were 2,303 rural financial institutions in China. As of and for the year ended 31 December 2015, rural financial institutions together accounted for 12.4% of the total assets, 11.7% of the total shareholders' equity and 11.3% of the total net profit of all banking institutions in China.

Foreign Banking Institutions

Foreign banking institutions include representative offices and branches and sub-branches of foreign-owned and joint-venture banks and locally-incorporated subsidiaries of foreign banks. As of 31 December 2015, there were 40 legal entities of foreign banks incorporated in China. As of and for the year ended 31 December 2015, foreign banking institutions together accounted for 1.3% of the total assets, 2.3% of the total shareholders' equity and 0.8% of the total net profit of all banking institutions in China.

Other Banking Institutions

Other banking institutions include policy banks, emerging rural financial institutions (including village and township banks, loan companies and rural mutual cooperatives), privately owned banks and other non-banking financial institutions (including financial asset management companies, Sino-German Bausparkasse, trust companies, finance companies of corporate groups, financial leasing companies, money brokerage firms, auto financing companies and consumer finance companies). As of and for the year ended 31 December 2015, these banking institutions together accounted for 17.2% of the total assets, 20.2% of the total shareholders' equity and 15.5% of the total net profit of all banking institutions in China.

CCBC'S COMPETITIVE STRENGTHS

CCBC believes its strengths, as set out below, provide a stable and effective platform through which it will be able to maintain its competitive advantage in China's banking industry:

Large customer base and established relationships

CCBC has a quality corporate customer base and large personal banking customer base. The Group continued to expand its customer base. As at 31 December 2015, CCBC had provided banking services to 3.9256 million corporate customers and 341 million personal banking customers. As at 30 June 2016, the number of private banking customers with financial assets above RMB10 million had increased by 10.77%, and the amount of customers' financial assets under management with CCBC increased by 13.77% as compared to 31 December 2015. As at 30 June 2016, the number of personal online banking customers and corporate online banking customers increased by 6.31% and 10.17%, respectively as compared to 31 December 2015.

Extensive distribution network and a diversified service channel

CCBC has an extensive distribution network. Through branches, customer self-service equipment, specialised service entities across the country and an electronic banking service platform, CCBC provides customers with convenient and high-quality banking services. As at 30 June 2016, CCBC had a total of 14,938 operating outlets in the PRC, including its head office, 37 tier-one branches, 336 tier-two branches, 12,325 sub-branches, 2,238 entities under sub-branches and a specialised credit card centre at the head office. As at 30 June 2016, the number of operating outlets increased by 21 from 31 December 2015. As at 30 June 2016, CCBC had 306 specialised private banking entities. As at 30 June 2016, there were 95,128 ATMs with cash services in operation, an increase of 3,628 ATMs, or 3.97% as compared to 31 December 2015. There were 25,902 self-service banks in operation, an increase of 1,208 self-service banks, or 4.89%. CCBC's extensive distribution network and diversified service channels provide it with the competitive measures and resources for sustainable development.

Leading positions in key products and services, pioneering new product and service development

In 2015, to be in line with CCBC's objective of establishing an "innovative bank", CCBC continuously improved its product innovation capability, vigorously supporting transformation and development. CCBC carried out innovation of merger and acquisition ("M&A") loans, supported the economic transformation and upgrading as well as the resolution of overcapacity, and improved its capability to support enterprise M&A. CCBC integrated its resources to push forward comprehensive financial service schemes for strategic group clients, offering comprehensive financial service solutions tailored for them. CCBC initiated service mode innovation of bank medical cards, establishing a more mature mode that was able to meet customers' needs with existing technical conditions. Based upon big data technology, CCBC launched "Xinyidai" for small and micro enterprises, refining the small and micro enterprises big data credit product system. CCBC offered cross-bank smart money collection and integrated cross-bank money collection channels, smoothing the process as well as presenting various choices of signing and authorising. By introducing the "Suixinyong" application, CCBC realised functions such as over-the-air issuing, off-line card transaction, inquiring, electronic cash recharging and industry application recharging, featuring convenient card activation and secure transaction. CCBC formulated comprehensive service solutions to housing reform finance and initiated new operations for provident housing fund loans, providing one-stop services for individual housing loan of housing provident fund (combined) customers. CCBC launched Long Card Cloud QuickPass to migrate the security management function of mobile payment from mobile hardware to Cloud platform, realising quick and secure mobile payment of simulated IC cards. CCBC launched market member bond lending, carrying forward bond lending transactions with market members. CCBC presented three brands comprising "Jiandantong, Jianpiaotong and Jianxintong", to provide financing services for companies contracted with foreign projects as well as those exporting whole set equipment. CCBC introduced WeChat-based "E Shenche" and "E Jiesuan" to adapt to the fast-growing Internet financial needs, and strengthened the Group's internal cooperation by collaborating with CCB Pension to provide an all-round solution for pension insurance fund business. For the six months ended 30 June 2016, CCBC finished 318 product innovation and 64 innovative duplication projects.

Given the innovation of products and services of CCBC, from 1 January 2015 to 31 December 2015, the Group's net income from fees and commissions increased by 4.62% to RMB113,530 million as compared to 2014. For the year end ended 31 December 2015, the Group's net income from fees and commissions accounted for 19.35% of its total operating income. For the six months ended 30 June 2016, the Group's net income from fees and commissions accounted for 22.72% of its total operating income.

Prudent risk management and internal control practices

CCBC continues to promote a risk management system reform and has established an overall risk management framework which reflects CCBC's philosophy that value should be created upon a sound risk management system. As one of the first banks in China to centralise CCBC's risk management through the development of a comparatively

independent and vertical risk management system, CCBC has implemented a “Parallel Operation” system to separate the roles of risk managers and customer managers. CCBC has also assigned designated credit reviewers and adopted a comparatively independent and vertically managed internal audit system.

Advanced financial management capabilities and financial controls

CCBC is one of the first domestic banks to establish a resource allocation and performance evaluation assessment system on the basis of an economic value-added approach. CCBC has further centralised its financial management and promoted an overall cost control system, while increasing CCBC’s research efforts on strategic cost management. In addition, CCBC followed the successful experience of leading global banks and developed an internal fund transfer pricing (“FTP”) system, an enterprise resource planning (“ERP”) system and a management accounting system.

CCBC believes that its advanced financial management capabilities and sound financial controls have allowed CCBC to implement development strategies effectively, optimise resource allocation and improve overall operating efficiency.

Effective strategic co-operation

CCBC’s strategic investor, Temasek Holdings (Private) Limited, has shared its experience with CCBC in relation to SMEs’ business operation, human resource management, money market trading and other areas. CCBC has cooperated with Bank of America Corporation (“Bank of America”), in a number of areas including personal banking business, risk management, corporate governance, information technology and human resources.

Experienced management team

CCBC’s Chairman, Mr. Wang Hongzhang, and CCBC’s vice chairman and president, Mr. Wang Zuji and other senior management team members, have extensive management experience in banking and financial sector in China. Under their leadership, CCBC’s operations have further strengthened in recent years. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the Group’s return on average assets were 1.42%, 1.30% and 1.41%, respectively, and its return on average equity were 19.74%, 17.27% and 17.80%, respectively, one of the highest among domestic and international peers. For these purposes, return on average assets is calculated based on the net profit divided by the average amount of beginning balance and ending balance of assets, and return on average equity is calculated based on the net profit attributable to equity shareholders of CCBC divided by the weighted average net assets.

CCBC’S PRINCIPAL BUSINESS ACTIVITIES

CCBC’s principal businesses activities include corporate banking, personal banking, treasury business, investment banking and overseas operations.

The following tables set forth, for the periods indicated, the profit before tax of each of CCBC’s major business segments:

	Year ended 31 December 2014		Year ended 31 December 2015	
	Amount	% of total	Amount	% of total
<i>(In millions of RMB, except percentages)</i>				
Corporate banking	151,886	50.79	108,184	36.24
Personal banking	80,553	26.93	115,184	38.59
Treasury business	64,696	21.63	70,388	23.58
Other business	1,951	0.65	4,741	1.59
Profit before tax	<u>299,086</u>	<u>100.00</u>	<u>298,497</u>	<u>100.00</u>

	Six months ended 30 June 2016		Six months ended 30 June 2015	
	Amount	% of total	Amount	% of total
<i>(In millions of RMB, except percentages)</i>				
Corporate banking	67,214	39.57	72,477	42.84
Personal banking	59,945	35.29	55,098	32.56
Treasury business	41,459	24.40	36,892	21.80
Others	1,260	0.74	4,740	2.80
Profit before tax	<u>169,878</u>	<u>100.00</u>	<u>169,207</u>	<u>100.00</u>

CORPORATE BANKING

Overview

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the Group's corporate banking operations represented 50.79%, 36.24% and 39.57%, respectively, of its profit before tax. CCBC offers a broad range of corporate banking products and services for corporations, government agencies and financial institutions. As at 30 June 2016, the Group had RMB5,840,309 million of domestic corporate loans and advances, representing 52.44% of the Group's gross loans and advances to customers, RMB517,300 million of domestic discounted bills outstanding, representing 4.64% of the Group's gross loans and advances to customers, and RMB7,535,432 million of domestic corporate deposits, representing 51.35% of the Group's total deposits from customers.

Key Products and Services

Corporate loans products

Corporate loans have historically been the largest component of the Group's loan portfolio. As at 30 June 2016, the balance of domestic corporate loans and advances amounted to RMB5,840,309 million, representing an increase of 1.09% compared to 31 December 2015. The Group's corporate loan products mainly comprise medium to long-term loans and short-term loans. As at 30 June 2016, the Group's domestic medium to long-term loans and short-term loans amounted to RMB3,990,414 million and RMB1,849,895 million, representing 35.83% and 16.61%, respectively, of its total corporate loans and advances.

Infrastructure loans

CCBC provides various infrastructure loan products to meet the funding requirements relating to the construction and expansion of its customers' infrastructure projects. The continuing expansion of the PRC economy has led to an increase in the number of new large-scale infrastructure projects which have resulted in an increased demand for infrastructure loans. As at 30 June 2016, loans to infrastructure sectors amounted to RMB2,782,579 million, representing an increase of RMB74,794 million compared to 31 December 2015.

Working capital loans

CCBC offers working capital loans primarily to provide liquidity for CCBC's customers' regular business production and operational turnover needs and for their temporary funding needs. CCBC's working capital loans are mainly granted to its high quality customers to supplement their infrastructure loans. CCBC also provides working capital loans to SMEs.

Syndicated loans

CCBC has provided to customers various syndicated loan products including, among others, direct external syndicated loans, internal syndicated loans and transferable syndicated loan products. CCBC has maintained strong growth in its syndicated loan businesses.

Other corporate loan products

CCBC offers various other corporate loan products, including trade finance facilities, supply-chain financing and merger and acquisition financing. In March 2009, CCBC became one of the first commercial banks in China approved to undertake merger and acquisition financing business pursuant to the Guidelines to M&A Loan Risk Management of Commercial Banks issued by the CBRC and CCBC was one of the first to launch corporate merger and acquisition financing products aimed to facilitate the financing needs of CCBC's customers' merger and acquisition transactions by providing a comprehensive set of financial resources.

The expansion of loans to SMEs is an important measure of CCBC to realise its strategic transformation of corporate banking business. As at 30 June 2016, the Group had 288 credit factories for small enterprises. As at 30 June 2016, according to the policy on SMEs jointly issued in 2011 by four PRC ministries and commissions including the Ministry of Industry and Information Technology, as well as the latest regulatory requirements issued by the CBRC, loans to small- and micro-sized enterprises amounted to RMB1,334,564 million, an increase of RMB56,685 million or 4.44% as

compared to 31 December 2015, and the number of credit customers for small- and micro-sized enterprises reached 275,306, an increase of 23,362 as compared to 31 December 2015.

Discounted bills

Discounted bills are bank acceptance bills and commercial acceptance bills with a remaining maturity of less than six months purchased by CCBC from its customers at a discount. CCBC provides discounted bills as part of its comprehensive financing solution for its corporate customers. As at 30 June 2016, the Group had outstanding domestic discounted bills of RMB456,687 million.

Corporate deposit products

In accordance with interest rate policies issued by the PBOC, CCBC offers a variety of time and demand deposit products to its corporate and institutional customers. In addition, CCBC also accepts negotiated deposits from customers including insurance companies, the National Social Security Fund and the Postal Savings Bank of China, whereby interest rates and other conditions are separately negotiated between them and CCBC. As at 30 June 2016, the Group's domestic corporate deposits amounted to RMB7,535,432 million, an increase of 9.35% compared to 31 December 2015.

Commission/fee based products and services

CCBC provides its corporate customers with a broad range of commission/fee based products and services. The Group's net fee and commission income from corporate banking business for the year ended 31 December 2015 reached RMB42,032 million, which was stable over the same period last year.

Agency services

CCBC acts as an agent at the request of its clients in providing payment disbursement, collection, settlement, clearance and other agency services to corporations and government agencies. The key products and services CCBC provides include agency treasury settlement, agency premium collection and payment and entrusted loans. CCBC also acts as payroll agent as well as the agent to collect utilities, telecommunication and taxes payment and surcharges. In addition, in terms of the number of budget units it served, the volume of agency disbursement and related fee income, CCBC continued to be the market leader. CCBC is a major correspondent bank for China Development Bank. CCBC also distributes products and services on behalf of insurance companies and securities firms and provides payment and fee collection services to public utility and telecommunications companies. In addition, CCBC provides entrusted lending services to its corporate customers. CCBC charges a fee for providing entrusted lending services and does not take the credit risk with respect to these loans. In addition to generating fee income, CCBC's agency services also help CCBC develop and enhance its relationships with its customers.

Cost and advisory services

Cost advisory services include project consultancy services, cost evaluation and control services and project funding monitoring services for infrastructure projects. In 2008, CCBC launched the "Project Funding Monitoring Business", which is an extension of its project cost consulting services and integrates its project cost consulting platform with its credit risk management platform. CCBC provides funding monitoring services for projects through its professional project cost consultant team, along with its investment management team. CCBC's 36 tier-one branches have grade-A qualification for engineering cost advisory service issued by the Ministry of Housing and Urban-Rural Development, one branch has grade-B qualification and 223 tier-two branches set up specialised units for cost advisory service. In the first half of 2016, CCBC continued to improve its market position and brand image by reinforcing fundamental management, pushing forward business transformation, improving specialised institutions and innovating businesses and products. For the year ended 31 December 2015, income from cost advisory service amounted to RMB7,427 million. For the six months ended 30 June 2016, income from cost advisory service amounted to RMB3,676 million.

Institutional business

CCBC has promoted its updated "Minben Tongda" comprehensive financial services brand, which focuses on providing service to customers in the education, health, culture and environmental protection sectors. CCBC and Jilin University jointly sponsored the first edition of "CCB Cup" of "Internet Plus" Innovation and Entrepreneurship Competition for Chinese University Students, signed strategic cooperation agreements with Huazhong University of Science and Technology, explored "Internet Plus" applications and innovations in financial services for schools and

hospitals, which culminated in the Bank-Hospital and Bank-School Mobile Internet Financial Cooperation Plan. It also became the first bank among its peers to study and launch the Comprehensive Financial Service Plan Regarding Pension System Reform of Public Institutions. In the first half of 2016, CCBC won the bidding of time deposits of local treasuries as cash manager for a cumulative amount of RMB160.9 billion. It ranked first among peer banks in terms of the number of customers of the central finance authorised payment and non-tax revenue collection agency service. The issuance of civil service bank cards in central fiscal budget units continued to be first in the market.

International business

CCBC offers international settlement products and services including import letters of credit, export letters of credit, import collection, export collection, outward remittance, inward remittance and guarantees. CCBC has been approved by the PBOC as the Hong Kong dollar settlement bank and approved by the China Foreign Exchange Trade System as the U.S. dollar agency settlement bank in the interbank foreign currency markets. CCBC was one of the first PRC banks to provide cross-border trade RMB settlement services and this pioneer status has allowed it to be one of the market leaders of this service.

In 2015, CCBC further expanded its RMB clearing network, as CCBC became the RMB clearing bank in Swiss and Chile after becoming the RMB clearing bank in London. RQFII, RQDII and Mainland- Hong Kong mutual recognition of funds operations continued to grow. CCBC successfully issued RMB1 billion two-year offshore RMB bonds in London, which was the first RMB bond product listed on the London Stock Exchange. It also launched “comprehensive financial services for crossborder e-commerce”, built a “cross-border e-remittance” platform, and provided end-to-end online auto receipt and payment, settlement and sales of foreign exchange and income/expense declaration services for cross-border e-commerce customers through the direct contact with the local “single window” of international trade. It also innovated “cross-border e-payment”, an online payment tool and met e-commerce customers’ needs for cross-border payment through virtual bank cards. CCBC took the lead in providing services to special economic areas, with its Shanghai Free Trade Zone Branch proactively offering businesses relating to free trade accounts and holding the largest deposit and loan portfolios among competitors. The Xinjiang Khorgos Border Cooperation Centre Sub-branch became the first to launch innovative offshore RMB business, delivering the best performance in all major indicators.

Asset custodial business

CCBC’s offering of asset custodial services is among the most comprehensive in China, including securities investment funds, QDII, Qualified Foreign Institutional Investors (“**QFII**”), RMB Qualified Foreign Institutional Investors (“**RQFII**”), social security funds, corporate annuity funds, trust properties, insurance assets, entrusted investment assets of securities companies, basic pension insurance personal account funds, industrial investment funds and banking wealth management products. In 2013, CCBC obtained the qualification to provide custodial service to the first bond index exchange-traded funds (“**ETF**”) and cross-border ETF for U.S. stocks in the PRC. CCBC also became one of the first Chinese-funded custodial banks of RQFII from Singapore. CCBC became the first batch of banks to conduct agency business for Mainland-Hong Kong mutual recognition of funds operations and was the first to offer “bond transaction plus custodian” services to overseas institutions for direct entry into the interbank bond market. As at 30 June 2016, CCBC’s assets under custody amounted to RMB 8.39 trillion, representing an increase of 17.02% from 31 December 2015. As at 30 June 2016, insurance assets under custody totalled RMB2.27 trillion, an increase of 48.37% from 31 December 2015.

Pension Business

In 2007, CCBC was approved to be the trustee and custodian for corporate annuity funds and was authorised to offer related services including annuity planning, consulting, corporate annuity custodian and personal account management. CCBC innovatively launched an occupational annuity service plan for public institutions, enterprise annuity tax planning and consultancy, and insurance security mode supplementary pension products. CCBC’s “Yangyi” series covered all types of pension markets in general.

Treasury management and settlement business

CCBC was one of the first domestic commercial banks to provide cash management services for its corporate clients. In recent years, CCBC’s cash management services expanded rapidly as CCBC introduced various new cash management products, such as “Yudao (禹道)-Smart Win Cash Management”, which covers major service lines including account settlement services, fees receipt and payment services, liquidity management services, investment and financing management services, information and reporting services, industry-focused solutions and on-line banking services. CCBC has a range of cash management products and tailor-made industry specific cash management solutions for

multinational corporations, large and medium sized enterprises, government agencies and financial institutions. In addition, through its internet and other electronic channels, as well as its customer-oriented branch network, CCBC has been able to provide comprehensive cash management services to its customers.

Customer Base

As a leading provider of capital for some of the key industries in China such as infrastructure, energy, transportation and telecommunication, CCBC has maintained close relationships with leading corporations in industries that are strategically important to China's economy and with major government agencies and financial institutions.

CCBC has focused and will continue to focus on customers in industries strategically important to China's economy. Most of these large companies in China's strategic industries are state-owned enterprises or state-controlled joint stock companies. Private enterprises have become important customers to CCBC, as in recent years, they have experienced significant growth in China and have become a major sector in China's economy.

CCBC also focuses on expanding its range of high-quality SME customers.

Marketing

Based on its customer-focused philosophy, CCBC employs both industry-wide and localised marketing strategies tailored to specific regions, customers and products. CCBC's head office formulates its overall corporate business development based on industry, geographical region, customer and product considerations. CCBC's tier-one branches then develop detailed marketing plans according to these guidelines tailored to local market needs.

CCBC's corporate banking marketing channel primarily involves corporate and institutional customer managers, branch outlets and electronic banking channels which include on-line banking and phone-banking. CCBC's corporate and institutional customer managers are its key marketing channel for its corporate banking business. They are responsible for exploring new market opportunities, promoting CCBC's banking products, coordinating and accessing CCBC's bank-wide resources to provide a package of personalised and comprehensive financial services to CCBC's corporate and institutional customers.

CCBC's branch outlets offer the physical venue for CCBC to provide services to corporate and institutional customers. Through CCBC's branch outlets, CCBC promotes and sells its products, mainly providing payment and settlement services and SME corporate customer services, and developing CCBC's corporate liabilities business and commission/fee based business.

With the aim to improve customer experience, CCBC also provides its customers with e-banking channels such as CCBC's cash management service system, corporate online banking, customer hotline service centre and mobile phone banking platform, thereby providing greater access for CCBC's customers. CCBC's e-commerce finance platform — "e.ccb.com" which provided corporate clients with financing products such as order financing, guaranteed joint loans and collateralised loans, continued to deepen its involvement in causes relating to "agriculture, farmers and rural areas", promoted the use of credit card bonus points for direct shopping and air ticket booking for business travel, partnered with Microsoft to set up a flagship store, and carried out joint marketing, thus realising a rapid development. As at 30 June 2016, the Group's corporate online banking customers reached 4.42 million, representing an increase of 10.17% compared to 31 December 2015 and mobile phone banking customers reached 202.57 million. In 2015, CCBC launched overseas corporate online banking in ten overseas institutions including Toronto, New Zealand and others, with further expanded service channels for overseas institutions.

CCBC seeks to provide differentiated products and services to CCBC's important customers to meet their specific banking needs. CCBC's head office generally coordinates client coverage and marketing efforts for CCBC's largest corporate customers to ensure consistency and quality of service. CCBC's senior management at the headquarters and branch level are often directly involved in and lead in these marketing efforts. CCBC's branches in key cities provide differentiated, high quality, professional and integrated products and services to meet CCBC's customers' specific banking needs. By providing integrated financial solutions to CCBC's customers and improving CCBC's cross-selling synergies among CCBC's products and services, CCBC aims to further increase overall customer satisfaction and optimise value for CCBC's customers.

For SMEs, CCBC has established a specialised and standard marketing system that allows CCBC to further integrate CCBC's resources of products, distribution channels and brands to provide more efficient services with controlled risks.

PERSONAL BANKING

Overview

CCBC provides a broad advances to customers rose to RMB3,885,451 million, which accounted for 34.89% of the Group's gross loans and advances to customers; and the Group's domestic personal deposits rose to RMB6,707,162 million. The Group's profit before tax derived from personal banking for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 amounted to RMB80,553 million, RMB115,184 million and RMB59,945 million, respectively, representing 26.93%, 38.59% and 35.29% of the Group's total profit before tax for the same period.

Key Products and Services

CCBC provides a broad range of products and services including personal deposits, personal loans and other related financial services for its personal banking customers based on their needs. CCBC also provides bank card services and private banking for its personal banking customers. CCBC is committed to providing comprehensive banking services to its personal banking customers and is focused on creating and improving its personal banking product chain and value chain. CCBC sets out below its key personal banking products and services.

Personal deposits

CCBC provides its personal banking customers with a broad range of demand and time deposit services denominated in Renminbi and other foreign currencies. Personal demand deposit products include demand savings deposits and demand pledged deposits.

Personal time deposit products include time savings deposits, education savings deposits and personal notification deposits. Personal deposits provide CCBC with a stable funding source. As at 30 June 2016, domestic personal deposits of CCBC was RMB6,707,162 million, an increase of 5.34% from 31 December 2015.

Personal loans

CCBC's personal loans are designed to meet the credit requirements of its personal customers. CCBC's personal loan products include residential mortgage loans, personal consumer loans, personal business loans and personal agriculture-related loans. As at 30 June 2016, the total domestic personal loans of CCBC amounted to RMB3,885,451 million, representing an increase of 12.08% from 31 December 2015. As at 30 June 2016, the NPL ratio for domestic personal loans and advances was 0.57%, an increase of 0.05 percentage points from 31 December 2015.

Residential mortgage loans

CCBC provides residential mortgage loans to individuals to finance the purchase and construction of their residential properties. Residential mortgage loans include new home residential mortgage loans, residential refinancing mortgages, home equity loans to refinance residential property and fixed-rate residential mortgage loans. As at 30 June 2016, the Group's domestic personal residential mortgage loans rose by 14.70% from 31 December 2015 to RMB3,181,677 million.

CCBC appraises the value of the residential property regularly and clearly stipulates that the loan cannot be used for securities trading purpose.

Home savings services

In February 2004, CCBC formed Sino-German Bausparkasse Corporation Limited ("**Sino-German Bausparkasse**") with Bausparkasse Schwaebisch Hall, a German home savings bank. As at 31 December 2015, CCBC held a 75.10% equity interest in Sino-German Bausparkasse. CCBC's home savings bank products allow CCBC's customers to make scheduled deposits for the purpose of obtaining residential mortgage loans in the future. Sino-German Bausparkasse has improved CCBC's ability to develop more personal housing financing products.

Personal consumer loans

CCBC's personal consumer loans primarily consist of personal credit lines and automobile loans which usually have a maturity of up to five years. Personal credit lines are granted for general purposes based on the borrowers' credit

history and the value of collateral provided. CCBC's automobile loans are primarily secured by the purchased automobile and residential properties. As at 30 June 2016, CCBC had domestic personal consumer loans of RMB61,882 million, representing 0.56% of the Group's gross loans and advances to customers.

Other personal loans

CCBC's other personal loan products primarily consist of personal business loans, personal agriculture-related loans and other personal loans. In 2009, CCBC introduced personal business loans for private business owners involved in various specialised markets. CCBC also introduced personal agriculture-related loans to farmers on a trial basis in line with the PRC government's policy of supporting economic development of rural areas. CCBC also introduced a series of personal loan products, including the "Easy Education Loan" for personal education, the "Fortune Loan" for personal banking customers, the "Refurbishment Loan" for home renovations and the "ShanRong e-loans" personal micro-credit revolving loans for consumption financing needs.

Bank card business

CCBC offers a variety of bank card products comprising credit card and debit card to its customers under the registered "Long Card" ("龍卡") brand. As at 30 June 2016, CCBC had issued 87.89 million credit cards and 793 million debit cards. For the year ended 31 December 2015, the Group's fee and commission income from bank card fees increased to RMB34,960 million from RMB30,569 million for the same period in 2014, representing an increase of 14.36%. For the six months ended 30 June 2016, the Group's fee and commission income from bank card fees increased to RMB17,785 million, representing an increase of 6.27% from the same period in 2015.

Since CCBC is a member of China Unionpay, its customers can complete transactions through ATMs and point-of-sale terminals connected to the China Unionpay network. China Unionpay is responsible for establishing and operating a nationwide, interbank bank card information exchange and transaction network for its members. CCBC is one of the founding members of China Unionpay. CCBC joined the MasterCard network in 1990 and the Visa network in 1991. CCBC's dual-currency debit cards and dual-currency credit cards are also accepted outside of China through its association with the MasterCard and Visa networks. In August 2009, CCBC further joined the JCB international credit card network.

Credit cards

Through the credit card centre in Shanghai established in December 2002, which centrally manages CCBC's credit card business, CCBC seeks to enhance its operational efficiency, improve its risk management and maintain a consistent level of customer service quality. CCBC has also established credit card departments in most of its tier-one branches to manage its operations locally. As approved by the CBRC and accepted by the Shanghai Banking Regulatory Bureau in 2008, CCBC's credit card centre was upgraded to a branch-level sales institution and obtained its business license in 2009. As at 30 June 2016, CCBC had issued 87.89 million credit cards. The total spending amount from CCBC's credit cards was RMB2,218,263 million in the year ended 31 December 2015. The total spending amount from CCBC's credit cards was RMB1.15 trillion for the six months ended 30 June 2016. As at 30 June 2016, CCBC's credit card loan balance reached RMB396,064 million. As such, CCBC is ranked as one of the top banks in respect of total number of credit card customers, transaction volume and asset quality.

CCBC's credit cards are accepted through its own network and through the China Unionpay network which are located in the PRC and various other countries and are also accepted overseas through CCBC's association with the Visa and MasterCard networks. CCBC has established five product lines including standard cards (標準卡), co-branded cards (三名卡) (being cards co-branded with primary cities (名城), well-known enterprises (名企) and top-tier universities (名校), specialty cards (特色卡), public welfare cards (公益卡) and corporate cards (商務卡), which primarily target mid- to high-end customers and cover various marketing channels. CCBC also issues diamond cards, which target high-end customers and issued specialised car-owner credit cards to car owners. CCBC has also launched consumer products including e-Pay Long Card, Tencent e-Pay Long Card, and Family Love Card, credit products such as "Fenqitong", and mobile payment services based on the Internet including Apple Pay, HCE Cloud Pay, and Samsung Pay. CCBC has increased its use of new electronic channels such as mobile phone, WeChat and QR code to promote the use of its credit card products. CCBC has introduced the Long Card electronic payment wallet and "one-click payment" for cross-border internet purchases. CCBC has also introduced the "Mobile Long Card" mobile app allowing payments to be made with authorised merchants.

CCBC accelerated the construction of its "Smart Customer Service" platform as a comprehensive customer service platform and upgraded its SMS and online banking system to improve customer experience.

Debit cards

In 2015, CCBC strengthened its cooperation with key industries such as social security, medical and health care, public transport, community finance and culture and education. It also promoted the application of financial IC debit cards and e-cash Quick Pass. As at 30 June 2016, CCBC issued 793 million debit cards in aggregate, representing an increase of 54 million cards from 31 December 2015. Total spending through CCBC's debit cards amounted to RMB6.67 trillion in the year ended 31 December 2015, representing an increase of 30.97% over the same period in 2014. Total spending through CCBC's debit cards amounted to RMB4.81 trillion for the six months ended 30 June 2016. As at 30 June 2016, CCBC issued 365 million financial IC debit cards in total, representing an increase of 55 million cards compared to 31 December 2015. As at 30 June 2016, CCBC issued 38.91 million express settlement cards targeted at individual business proprietors for their payment and settlement demands, representing an increase of 7.64 million cards compared to 31 December 2015.

Private Banking

CCBC provides a broad range private banking products and services and integrated solutions and to its high value customers, including family trust financial advisory services, asset allocation consultancy services, investment immigration, marital property preservation and family wealth inheritance. As at 30 June 2016, the number of private banking customers with financial assets above RMB10 million grew by 10.77% and the total amount of customers' assets increased by 13.77% as compared to 31 December 2015.

Entrusted housing financing services

CCBC acts as an agent to national housing fund management departments to collect housing provident funds and housing maintenance funds and provide individual housing provident funds mortgages. CCBC is one of the earliest banks and the largest in China approved to engage in the housing provident fund management business. CCBC maintains sound business cooperation with local administrative centres of housing provident funds across China from which it takes deposits as a steady funding source. By implementing national policies on supporting the construction of homes and providing financing to mid- and low-income households, CCBC is able to capture such specialised market opportunities. As at 30 June 2016, CCBC's personal provident housing fund loans amounted to RMB1,704,115 million, and its housing fund deposits amounted to RMB631,153 million. Through innovative financial services, CCBC has launched new products and services including small amount cross-bank payments for housing provident funds, housing provident fund e-channel, housing provident fund co-named card and entrusted housing provident fund withdrawal for repayment of loans.

Customer Base

As at 31 December 2015, CCBC had 3.93 million corporate customers and 341 million personal customers. In particular, the number of private banking customers with financial assets above RMB10 million increased by 23.08% and the total amount of customers' financial assets increased by 32.94%, compared with 2014. As at 30 June 2016, the number of private banking customers with financial assets above RMB10 million increased by 10.77% and the total amount of customers' financial assets increased by 13.77% compared to 31 December 2015.

As at 30 June 2016, CCBC had 306 specialised private banking entities. CCBC has successfully established dedicated telephone banking services for its high-end customers, creating a high-end customer service network with a focus on wealth management and private banking services.

Marketing

CCBC's head office generally formulates marketing initiatives and sets marketing guidelines for CCBC's bank-wide personal banking products. CCBC's tier-one branches develop detailed marketing plans to implement these initiatives based on the economic and market conditions of their respective geographical regions. CCBC conducts its marketing activities mainly through its branch network, which CCBC supplements with specialised sales centres for specific products such as personal wealth management centres and residential mortgage loan centres. As at 30 June 2016, CCBC had 306 specialised private banking entities. It also conducts personal banking product marketing through e-banking channels, such as online banking, telephone banking and mobile phone banking.

CCBC offers different products and services and adopts different marketing strategies to cater for different customer groups' needs. For high value customers, CCBC focuses on building a one-to-one customer manager marketing

relationship to develop a more focused marketing strategy for promoting its products. For mass market customers, CCBC adopts a mass marketing strategy focusing on its outlets, taking initiatives in product and service marketing through introduction by its lobby managers, on-site promotion of its products and media advertising campaigns. CCBC also adopts an interactive marketing strategy for its personal banking business, whereby its personal loan department and corporate banking department cooperate to take a proactive approach in exploring business opportunities in residential mortgage loans while granting real estate development loans. In addition, CCBC focuses on cross-selling its personal banking products such as promoting its credit cards and wealth management cards to its residential mortgage loan customers. CCBC also sells various loan products to the holders of its wealth management cards and credit cards.

Personal electronic banking

CCBC generates income from personal electronic banking business primarily through facilitating transactions for CCBC's personal banking customers through electronic means. As at 30 June 2016, CCBC's personal online banking service had 221.95 million individual customers, representing an increase of 6.31% compared to 31 December 2015. For the six months ended 30 June 2016, the electronic banking service fees earned by CCBC was RMB4,594 million compared to RMB3,382 million from the same period in 2015. For the six months ended 30 June 2016, the transaction volume for personal online banking was RMB19.60 trillion.

TREASURY BUSINESS

CCBC's treasury operations primarily consist of its money market activities, the management of its investment portfolio, treasury transactions on behalf of its customers, bond underwriting and development of treasury products. The Group's treasury business recorded a profit before tax of RMB70,388 million in the year ended 31 December 2015, representing 23.58% of its total profit before tax. The Group's treasury business recorded a profit before tax of RMB41,459 million for the six months ended 30 June 2016, representing 24.40% of its total profit before tax.

Key products and services

Money market activities

CCBC's money market activities primarily consist of (i) repurchase and reverse repurchase with the PBOC; (ii) borrowings from and loans to other domestic and foreign banks and non-bank financial institutions, often referred to as the interbank money market activities; (iii) purchase of securities under resale agreements, often referred to as repurchase and reverse repurchase transactions via the interbank market, bond repurchase pledge or buy-out, sell-out of RMB-denominated treasury bonds, policy bank bonds and central bank bonds; and (iv) money market transactions with major international banks such as foreign currency fund lending, foreign currency denominated bond repurchase and foreign exchange swap on the international financial markets.

CCBC is an active participant in the interbank money market, one of the first market-makers in the interbank market and one of the sixteen Shanghai Interbank Offered Rate quotation banks approved by the PBOC. As at 30 June 2016, the Group's deposits and placements with banks and non-bank financial institutions amounted to RMB915,009 million, representing 4.63% of the Group's total assets. As at the same date, the deposits and placements from banks and non-bank financial institutions with the Group amounted to RMB 1,962,595 million, representing 10.75% of the Group's total liabilities.

Investment portfolio management

CCBC's investment portfolio mainly targets bond investment. CCBC classifies its portfolio as: (i) trading financial assets; (ii) debt securities classified as receivables; (iii) available-for-sale financial assets; and (iv) held-to-maturity investments. Trading financial assets are primarily used in proprietary trading, while debt securities are classified as receivables, available-for-sale financial assets and held-to-maturity investments are used in proprietary investment.

As at 30 June 2016, debt securities classified as receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments represented 10.36%, 7.82%, 26.96% and 54.86% of the Group's investment portfolio, respectively.

Proprietary trading

CCBC conducts short-term proprietary trading in order to gain short-term spread income and avoid market risk. Proprietary trading mainly includes treasury bonds, central bank notes, policy bank bonds, short-term debentures issued

by large-scale prime enterprises, mid-term notes, foreign exchange trading and precious metal trading. Additionally, CCBC hedges its investment risk through financial derivative trading, which mainly includes interest rate swap contracts and foreign exchange spot, forward, swap and option contracts. Apart from hedging of its risks, CCBC generally does not hold financial derivatives for short-term gain.

Proprietary investment

CCBC manages its investment portfolio to maximise its investment return. CCBC determines the average investment term of its investment portfolio, duration and investment return objective based on its judgment on risk factors such as interest rates, exchange rates and credit risks. CCBC's RMB- denominated securities investments primarily include government bonds, central bank notes, policy financial bonds, commercial bank bonds, short-term debentures, corporate bonds and asset-backed securities. CCBC's foreign currency denominated securities investments are primarily in sovereign bonds, financial institution bonds, corporate bonds and investment grade asset-backed securities.

Treasury transactions on behalf of customers

CCBC's treasury transactions on behalf of its customers mainly include agency foreign exchange derivatives trading, agency precious metal business, bond settlement agency business, agency sale and purchase of foreign exchange and foreign exchange trading. Foreign exchange purchases and sales and foreign exchange trading grew steadily. CCBC improved its service capability of foreign exchange settlement and sales through electronic banking channel, and launched its foreign exchange purchasing project. CCBC also optimised its corporate online banking foreign exchange settlement module for the convenience of its corporate customers.

Innovation and development of treasury products

CCBC focused on the innovation of precious metal products with diversified product lines and introduced new products including gold accumulation plans and silver leasing. For the year ended 31 December 2015, CCBC's precious metal trading volume reached a total of 54,263.84 tonnes. For the six months ended 30 June 2016, CCBC's precious metal trading volume reached a total of 34,000 tonnes.

INVESTMENT BANKING BUSINESS

CCBC conducts investment banking business through the investment banking department at its head office and branch levels as well as its subsidiary, CCB International, providing customers with financial service packages such as short-term debentures, international bonds, trust benefit vouchers, asset securitisation, project financing, outbound initial public offerings ("IPOs") and refinancing, equity investment, financial advisory and wealth management services. CCBC's substantial customer base, extensive marketing network, strong funding capability and research and development strength lay a foundation for the development of its investment banking business.

Key products and services

Financial advisory service

CCBC's financial advisory business refers to its provision of consultation, analysis and solution design services to customers in respect of investment and financing, capital operation, asset management, debt management and corporate diagnosis based on the customers' requirements with an aim to assist them in reducing financing cost, increasing funding utilisation efficiency and optimising financial management. Furthermore, CCBC focused on providing its customers with product portfolios consisting of both investment banking and commercial banking products. In 2009, CCBC took the industry lead in launching FITS ("**Financial Total Solution**"), a comprehensive financial solution also known as "Feichi". Depending on different situations and financial needs, FITS combines products and vehicles such as traditional commercial banking, new investment banking, various funds and bank wealth management programmes in order to provide comprehensive and diversified financial services plans. For the year ended 31 December 2015, income from financial advisory services totalled RMB4,352 million. For the six months ended 30 June 2016, income from financial advisory services totalled RMB2,178 million.

Equity financing service

Through CCB International and CCBC's overseas branches and subsidiaries, CCBC provides enterprises with equity financing services such as listing sponsorship and underwriting services for their overseas capital markets IPOs and refinancing services and strategic investor introduction services in Hong Kong and Singapore. Separately CCBC also

cooperates with CCBC's business partners, including domestic and overseas securities companies to provide equity financing related services, such as domestic and overseas listing guidance, sponsorship, underwriting and financial advisory services.

Bond financing service

CCBC provides composite bond financing services for clients including short-term debentures, and mid-term notes. CCBC is an active underwriter in the domestic bond market and it is also a Class A underwriter in the MOF treasury bond underwriting syndicate. CCBC is a primary dealer in the PBOC open market. CCBC is also a financial bond underwriter for financial institutions. For the year ended 31 December 2015, the underwriting volume of debt securities of CCBC for non-financial enterprises amounted to RMB531,609 million. For the six months ended 30 June 2016, the underwriting volume of debt securities of CCBC for non-financial enterprises amounted to RMB 286,372 million.

Asset securitisation

CCBC was among the first commercial banks approved to undertake asset securitisation business. In 2005, CCBC issued the first residential mortgage-backed securities in China with a size of RMB3.0 billion. CCBC has developed a specialised information system for its securitisation products and CCBC has extensive experience in the development of securitisation products and the execution of such transactions.

Wealth management business

CCBC has designed and launched various wealth management products according to customer needs to provide wealth management services to customers. CCBC has widened its wealth management product distribution channels and increased its distribution of high yield debt and equity wealth management products. These wealth management products play an important role in securing CCBC's customers, particularly high-end customers. For the year ended 31 December 2015, CCBC issued 6,084 batches of wealth management products with a total amount of RMB6,290,433 million. For the six months ended 30 June 2016, CCBC issued 3,135 batches of wealth management products with a total amount of RMB3,665,884 million. As at 30 June 2016, CCBC's outstanding balance from wealth management products was RMB1,948,059 million.

Customer base

CCBC's prime corporate and personal customers from its commercial banking business have formed a solid customer base for developing its investment banking business through the years. Most domestic PRC conglomerates and top quality corporates have established extensive and close business relationships with CCBC. CCBC believes that there remains potential for its investment banking business in the areas of bond financing, equity financing, asset securitisation, financial advisory, wealth management and trust services. CCBC also proactively strives to provide equity financing and equity investment services to SMEs that present promising growth. CCBC's personal banking customers, especially its high net worth and high-end clients, will also help CCBC expand its wealth management business and ensure the successful offering of its wealth management products.

Marketing

CCBC's major marketing model for the investment banking business involves cooperation between the head office, domestic and overseas offices and different business lines. A key strategy of CCBC's bank-wide marketing efforts is to combine the marketing efforts of the investment banking business and commercial banking business.

OVERSEAS BUSINESS

As at 30 June 2016, the Group had 28 tier-one overseas branches, covering 26 countries and regions including Hong Kong, Singapore, Germany, South Africa, Japan, South Korea, US, UK, Vietnam, Australia, Russia, Dubai, Taiwan, Luxembourg, Macau, New Zealand, Canada, France, Netherlands, Spain, Italy, Switzerland, Brazil, Cayman Islands, Ireland, and Chile, and wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Dubai, CCB Europe and CCB New Zealand.

As at 30 June 2016, the total assets of the Group's overseas entities were RMB1,248,832 million, representing an increase of 8.64% from 31 December 2015. For the year ended 31 December 2015, the Group's profit before tax of the Group's overseas entities was RMB5,310 million, representing a decrease of 16.26% over the same period in 2014. For

the six months ended 30 June 2016, the Group's profit before tax of the Group's overseas entities was RMB3,967 million, representing an increase of 30.84% over the same period in 2015.

In May 2015, Chile Branch became the first RMB clearing bank in South America. In June 2015, Paris Branch, Amsterdam Branch, Barcelona Branch and Milan Branch under CCB Europe were successively opened. Cape Town Branch (under Johannesburg Branch) commenced business in September 2015. London Branch commenced business in October 2015. Zurich Branch was established and designated as the RMB clearing bank in November 2015, and Dubai International Financial Centre Branch received its official banking licence and commenced business in November 2015. The Zurich Branch and Chile Branch were officially opened on 14 January 2016 and 20 June 2016, respectively.

MAJOR SUBSIDIARIES

In 2009, CCBC established the equity investment and strategy cooperation department to coordinate and manage its subsidiaries. According to the 2015 Financial Statements, major subsidiaries of CCBC as at 31 December 2015 are set out below:

<u>Name of subsidiary</u>	<u>Principal activities</u>
CCB Financial Leasing Corporation Limited	Financial leasing
CCB Life Insurance Company Limited	Insurance
Jianxin Trust Corporation Limited	Trust business
CCB Trust Co, Limited	Trust business
China Construction Bank (London) Limited	Commercial banking
CCB Pension Management Corporation Limited	Pension Management
China Construction Bank (Europe) SA	Commercial banking
Sino-German Bausparkasse Corporation Limited	House savings bank
China Construction Bank (Russia) Limited	Commercial banking
Golden Fountain Finance Limited	Investment
China Construction Bank (Dubai) Limited	Commercial banking
CCB Principal Asset Management Corporation Limited	Fund management services
CCB International (Holdings) Limited	Investment
China Construction Bank (Asia) Corporation Limited	Commercial banking
CCB Futures Company Limited	Futures
China Construction (New Zealand) Commercial Banking Limited	Commercial banking
CCB Overseas Holdings Limited	Investment
CCB Properties Holdings Limited	Investment
CCB Financial Holdings Limited	Investment
CCB Brazil Financial Holding — Investimentos e Participacoes Ltda	Investment

INTEGRATED OPERATION SUBSIDIARIES

The Group's integrated operation strategy is to accelerate the development of insurance, trust, investment banking, mutual funds, leasing, securities and other non-banking businesses, while developing banking as its core business. The Group endeavours to build an operating framework that covers interconnected markets and complementary businesses, with diversified income and decentralised and controllable risk, and realise customer-oriented functions selection, to provide customers with integrated and diversified financial services.

As at 31 December 2015, the Group owned several domestic subsidiaries in the non-banking financial sector, including CCB Principal Asset Management Corporation Limited ("**CCB Principal Asset Management**"), CCB Financial Leasing Corporation Limited ("**CCB Financial Leasing**"), CCB Trust Co., Ltd. ("**CCB Trust**"), CCB Life Insurance Company Limited ("**CCB Life**"), CCB Futures Co., Ltd. ("**CCB Futures**"), CCB International and CCB Pension Management Co., Ltd. ("**CCB Pension**").

The Group set up several banking entities providing professional and differentiated services in specific industries and regions, including Sino-German Bausparkasse and 27 rural banks. In 2013, Sino-German Bausparkasse developed its housing credit business and achieved significant results in selling housing savings products. As at 31 December 2015, total assets of Sino-German Bausparkasse were RMB27,805 million. As at 31 December 2015, the 27 rural banks established to provide efficient financial services for "agriculture, farmers and rural areas" had total assets in operation of RMB15,819 million.

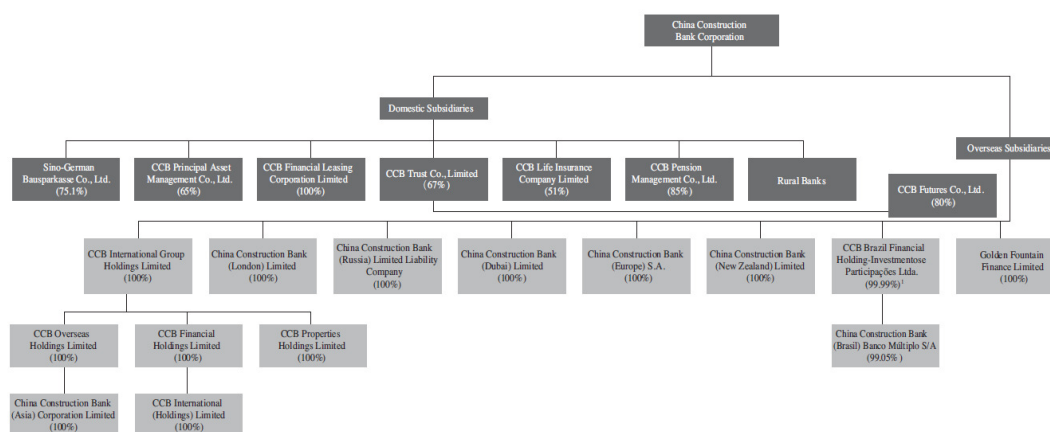
CCB Pension, registered in Beijing and officially opened to business on 4 November 2015, with a registered capital of RMB2.3 billion, of which CCBC and National Council for Social Security Fund hold 85% and 15% of its shares respectively. CCB Pension is mainly engaged in businesses including investment management of national social

security fund, businesses related to management of enterprise annuity fund, trusted management of capital for old age security, pension advisory for above businesses and other businesses as approved by banking regulators under the State Council. As at 31 December 2015, total assets of CCB Pension were RMB2,310 million.

As at 30 June 2016, the total assets of the integrated operation subsidiaries were RMB342,385 million, up 28.44% from 31 December 2015. For these purposes, integrated operation subsidiaries refers to the following subsidiaries as set out in 2015 Financial Statements: CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, CCB Futures, CCB International, CCB Pension, Sino-German Bausparkasse and 27 rural banks. Net profit of the domestic subsidiaries for the six months ended 30 June 2016 was RMB2,777 million, an increase of 27.72% over the same period in 2015.

ORGANISATIONAL STRUCTURE

The following chart shows CCBC's group structure as at 30 June 2016:



1. CCBC directly holds 99.99% shares of CCB Brazil Financial Holding -Investimentos e Participações Ltda. As at 31 December 2015, Sunny Silver Investment Limited (BVI), under its wholly-owned subsidiary CCB International, had invested BRL 1 to this company.
2. As at 30 June 2016, CCBC has set up a total of 27 rural banks. For more information, please refer to the rural banks listed in “Branches and Subsidiaries-Subsidiaries” of the 2015 Annual Report.

Issuance of Preference Shares

On 12 December 2014, the Board of Directors of CCBC reviewed and approved the Proposal on the Plan of Issuance of Domestic Preference Shares by China Construction Bank Corporation and the Proposal on the Plan of Issuance of Offshore Preference Shares by China Construction Bank Corporation, pursuant to which, CCBC proposed to issue preference shares with an aggregate of no more than RMB80 billion (inclusive) or its equivalent in domestic and offshore markets, which include the issuance of domestic preference shares of no more than RMB60 billion (inclusive) and the issuance of offshore preference shares of no more than RMB20 billion (inclusive) or its equivalent. On 5 November 2015, CCBC received approval from the CBRC for the issuance of up to 200 million offshore preference shares, and on 3 December 2015, CCBC received approval from the China Securities Regulatory Commission for the same. Pursuant to the approvals of relevant regulatory authorities and inter alia the shareholders resolutions, CCBC issued U.S.\$3.05 billion in the aggregate principal amount of 4.65% non-cumulative perpetual offshore preference shares on 16 December 2015, and the listing of the offshore preference shares on the Hong Kong Stock Exchange became effective on 17 December 2015.

Issuance of Tier 2 Dated Capital Bonds

On 13 May 2015, CCBC issued US\$2,000,000,000 in the aggregate principal amount of 3.875 per cent. Tier 2 dated capital bonds due 2025. In December 2015, CCBC issued RMB24 billion in the aggregate principal amount of 4 per cent. Tier 2 capital bonds due 2025 in the domestic interbank market. The net proceeds from the issue of such bonds will be used to boost the Tier 2 capital of CCBC in accordance with the applicable laws and for the purposes approved by the regulatory authorities.

Issuance of Tier 2 Capital Bonds

On 22 December 2015, CCBC issued RMB24 billion tier 2 capital bonds (the “**RMB Bonds**”) in the domestic interbank bond market with a coupon rate of 4.00%. The maturity period is 10 years, and CCBC has a redemption right at the end of the fifth year. The proceeds from the issuance of the RMB Bonds will be used to replenish CCBC’s tier 2 capital in accordance with the applicable laws and as approved by the regulatory authorities.

TAXATION

General

Tax considerations may apply to the purchase, ownership and disposition of the Notes. Persons considering the purchase of the Notes should consult their own tax advisor concerning the application of relevant tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

Cayman Islands taxation

The following is a discussion of certain Cayman Islands tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws:

- (a) payments of interest, principal and other amounts on the Secured Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal and other amounts on the Secured Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax;
- (b) no stamp duty is payable in respect of the issue or transfer of the Notes although duty may be payable if Notes are executed in or brought into the Cayman Islands; and
- (c) certificates evidencing the Notes, in registered form, to which title is not transferable by delivery, should not attract Cayman Islands stamp duty. However, an instrument transferring title to a Note, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

The Issuer has been incorporated with limited liability under the laws of the Cayman Islands as an exempted company and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands in the following form:

**“The Tax Concessions Law
2011 Revision
Undertaking As To Tax Concessions**

In accordance with the provision of Section 6 of The Tax Concession Law (2011 Revision), the Governor in Cabinet undertakes with:

HNAG Funding Limited, “the Company”

- (a) that no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

These concessions shall be for a period of twenty years from the 10th day of January 2017.

CLERK OF THE CABINET”

The Cayman Islands does not have an income tax treaty arrangement with the United States; however, the Cayman Islands has entered into a tax information exchange agreement with the United States.

FATCA

Provisions of U.S. law, commonly referred to as “FATCA” impose a withholding tax of 30 per cent, on (i) certain U.S. source payments and (ii) payments of gross proceeds from the disposition of assets that produce U.S. source interest or dividends made to persons that fail to meet certain certification or reporting requirements. In order to avoid becoming subject to this withholding tax, non-U.S. financial institutions must enter into agreements (“**IRS Agreements**”) (as described below) with the United States Internal Revenue Service (“**IRS**”) or otherwise be exempt from the requirements of FATCA. Non-U.S. financial institutions that enter into IRS Agreements or become subject to provisions of local law (“**IGA legislation**”) intended to implement an intergovernmental agreement entered into pursuant to FATCA (“**IGAs**”), may be required to identify “financial accounts” held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In addition, in order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable IGA legislation, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to (i) report certain information on its U.S. account holders to the government of the United States or another relevant jurisdiction and (ii) withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding is required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consent or documentation made on or after (i) 1 July 2014 in respect of certain U.S. source payments, (ii) 1 January 2019, in respect of payments of gross proceeds (including principal repayments) on certain assets that produce U.S. source interest or dividends and (iii) 1 January 2019 (at the earliest) in respect of “foreign passthru payments” and then, for “obligations” that are not treated as equity for U.S. federal income tax purposes, only on such obligations that are issued or materially modified on or after the date that is six months after the date on which the final regulations defining “foreign passthru payments” are filed with the Federal Register.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes and the Loan and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions have entered into (including The Cayman Islands), or have agreed in substance to (including Hong Kong and the PRC), intergovernmental agreements (or similar mutual understandings) with the United States, which modify the way in which FATCA applies in their jurisdictions. The full impact of such agreements (and the laws implementing such agreement in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with applicable law in their jurisdiction. It is not yet certain how the United States and the jurisdictions which enter into intergovernmental agreements will address withholding on “foreign passthru payments” (which may include payments on the Notes) or if such withholding will be required at all.

The Cayman Islands have entered into an intergovernmental agreement (the “**U.S. IGA**”) with the United States and have entered into a similar intergovernmental agreement (the “**UK IGA**”) with the United Kingdom (together with the U.S. IGA, the “**Cayman IGAs**”). The Issuer will be required to comply with the Cayman Islands Tax Information Authority Law (2013 Revision) (as amended) together with regulations and guidance notes made pursuant to such Law (the “**Cayman FATCA Legislation**”) that give effect to the Cayman IGAs. To the extent the Issuer cannot be treated as a Non-Reporting Cayman Islands Financial Institution (as defined in the Cayman IGAs) by taking advantage of one of the categories set out in Annex II to the Cayman IGAs (for example by being a Sponsored Investment Entity (as defined in the Cayman IGAs)), the Issuer will be required to be a “Reporting Cayman Islands Financial Institution” (as defined in the Cayman IGAs). As such, the Issuer is required to report to the Cayman Islands Tax Information Authority any payments made to (i) Specified U.S. Persons with respect to U.S. Reportable Accounts and (ii) Specified UK Persons with respect to UK Reportable Accounts (each such term as defined in the relevant Cayman IGA). The Cayman Islands Tax Information Authority will exchange such information with the United States Internal Revenue Service (“**IRS**”) or Her Majesty’s Revenues and Customs in the United Kingdom (“**HMRC**”), as the case may be, under the terms of the relevant Cayman IGA. Under the terms of the U.S. IGA, withholding will not be imposed on payments made to the Issuer unless the IRS has specifically listed the Issuer as a non-participating financial institution, or on

payments made by the Issuer to the Noteholders unless the Issuer has otherwise assumed responsibility for withholding under United States tax law.

Whilst the Notes are in global form and held within Euroclear Bank or Clearstream, Luxembourg (together, the “ICSDs”), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the common depositary, given that each of the entities in the payment chain from (but excluding) the Issuer to (but including) the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the terms and conditions of the Notes be required to pay additional amount as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE HOLDERS IS SUBJECT TO CHANGE. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

PRC withholding tax

Pursuant to the PRC taxation laws, a non-resident entity’s interest income derived from non-PRC resident and its provision of loan to non-PRC resident are not subject to PRC income tax and PRC value added tax (“VAT”). However, in case that a payment made under the Demand Guarantee by the PRC guarantor to an offshore entity in relation to the abovementioned loan, any component of such payment attributable to a payment of interest (and not principal) on the underlying loan (the “**Interest Component**”) would be regarded as income derived from the PRC from the enterprise income tax (“EIT”) perspective. Accordingly, the Interest Component of such payment would be subject to PRC income tax at the rate of 7% by way of withholding according to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (内地和香港特别行政区关于对所得避免双重征税和防止偷漏税的安排). From VAT perspective, there have been no specific regulations or interpretation from the PRC tax authorities on whether the payment to an offshore entity by a PRC guarantor under a guarantee similar to the Demand Guarantee would be regarded as provision of taxable service within PRC, based on our interpretation of the existing VAT laws and regulations, such interest income will probably be subject to VAT and surcharges in PRC by way of withholding, however is able to further negotiate with in-charge tax authorities in this regard. The applicable VAT rate is 6% and the applicable rate of surcharges ranges from 7% to 13% depending on the location of the Issuer. The rate of income tax, the VAT and the additional tax to VAT referred to herein are the statutory tax rates as of the date of this Offering Circular.

CLEARING AND SETTLEMENT ARRANGEMENTS

Clearance and Settlement under Euroclear and/or Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants, thereby eliminating the need for physical movements of certificates and any risks from lack of simultaneous transfer. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deals with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems which enables their respective participants to settle trades with one another.

Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to other financial institutions, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

A participant's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under those rules and operating procedures only on behalf of their respective participants, and have no record of, or relationship with, persons holding any interests through their respective participants.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of the relevant Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Each payment under the global certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

SUBSCRIPTION AND SALE

Each of SCB and CCB as a Joint Bookrunner and Global Coordinator has, in a subscription agreement dated on or about 23 February 2017 (the “**Subscription Agreement**”) and made between the Issuer and itself, upon the terms and subject to the conditions contained therein, agreed to procure the subscription and payment of the Notes at their issue price of 100 per cent. of their principal amount. The Subscription Agreement provides, *inter alia*, that the Joint Bookrunners and Global Coordinators may, by notice to the Issuer given at any time prior to payment of the net subscription monies for the Notes to the Issuer, terminate the Subscription Agreement under certain circumstances, if any of the conditions specified in the Subscription Agreement has not been satisfied, or has not been waived by SCB. Such conditions include, but are not limited to the following: (a) the execution and delivery of certain documents; and (b) there having not been on the Closing Date (i) any prior notice of any event rendering any of the Issuer’s representations and warranties contained in the Subscription Agreement untrue or incorrect in any respect, nor (ii) any prior notice of any failure to perform any of the Issuer’s undertakings under the Subscription Agreement.

The Issuer has given certain representations and warranties to the Joint Bookrunners and Global Coordinators in the Subscription Agreement, and the Issuer has agreed to indemnify the Joint Bookrunners and Global Coordinators against certain liabilities in connection with the offer and sale of the Notes.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Bookrunners and Global Coordinator or any of its affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the issuer in such jurisdiction.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001) in relation to the Notes has been, or will be, lodged with the Australian Securities and Investments Commission or the ASX Limited. Each of the Joint Bookrunners and Global Coordinators has represented and agreed that it:

- (a) has not (directly or indirectly) made or invited, and will not make or invite an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, the Offering Circular or any other offering material or advertisement relating to any Notes in Australia,

unless:

- (1) the aggregate consideration payable by each offeree is at least A\$500,000 (or its equivalent in an alternate currency, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act 2001 and complies with the terms of any authority granted under the Banking Act 1959 of Australia;
- (2) the offer or invitation does not constitute an offer to a “retail client” as defined for the purposes of section 761G of the Corporations Act 2001;
- (3) such action complies with any applicable laws, regulations and directives in Australia; and
- (4) such action does not require any document to be lodged with the Australian Securities and Investments Commission or the ASX Limited.

Cayman Islands

No offer or invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Notes and no such invitation is made hereby. Each Joint Bookrunner and Global Coordinator has represented, warranted and undertaken that the public in the Cayman Islands will not be invited to subscribe for the Notes.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a “**Relevant Member State**”), Each of the Joint Bookrunners and Global Coordinators has represented and agreed, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant

Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of any lead manager nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or any Joint Bookrunner and Global Coordinator to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression “**an offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

France

This Offering Circular is not being distributed in the context of a public offering in France and has thus not been submitted to the Autorité des Marchés Financiers for prior approval and clearance procedure.

Each of the Joint Bookrunners and Global Coordinators has represented, warranted and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*), as defined in, and in accordance with, Articles L.411-1.L. 411-2 and D.411-1 to D.411-3 of the French Code monétaire et financier.

Hong Kong

Each of the Joint Bookrunners and Global Coordinators has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; 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 or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Ireland

Each of the Joint Bookrunners and Global Coordinators has agreed, represented and warranted that they have not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the issue of any of the Notes or take any action in respect of the Notes, to the extent applicable:

- (1) otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations of 2005, as amended by the Prospectus (Directive 2003/71/EC) (Amendment) Regulations 2012 (S.I. 239/2012) and the Prospectus (Directive 2003/71/EC)(Amendment No.2) Regulations 2012 (S.I. 317/2012) and any rules issued under section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland by the Central Bank of Ireland;
- (2) otherwise than in compliance with the provisions of the Companies Acts of Ireland (1963-2013);
- (3) otherwise than in compliance with the provisions of (1) the Investment Intermediaries Act 1995 (as amended); (2) the Investor Compensation Act 1998 and (3) the European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. No. 60 of 2007) (as amended) and they will conduct themselves in accordance with any codes and rules of conduct, conditions, requirements and any other enactment, imposed or approved by the Central Bank of Ireland with respect to anything done by them in relation to the Notes;
- (4) otherwise than in compliance with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued by the Central Bank of Ireland pursuant thereto; and
- (5) otherwise than in compliance with the provisions of the Irish Central Bank Acts 1942-2013 and any codes of conduct, practices and rules made under section 117(1) of the Central Bank Act 1989,

as each of the foregoing may be amended, restated, varied, supplemented, and/or otherwise replaced from time to time.

Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa*, and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Financial Services Act**”) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (“**Regulation No. 11971**”); or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Banking Act**”);
- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Investors should note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies. Under paragraphs (a) and (b) above the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and the Regulation No. 11971. Furthermore, where no exemption from the rules on public offerings applies, the Notes which are initially offered and placed in Italy or abroad to professional

investors only but in the following year are “systematically” distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the purchasers of the Notes who are acting outside of the course of their business or profession.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Joint Bookrunners and Global Coordinators has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity 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.

Korea, Republic of

Each of the Joint Bookrunners and Global Coordinators has represented and agreed that a registration statement for the offering and sale of the Notes has not been filed with the Financial Services Commission of Korea. Accordingly, each of the Joint Bookrunners and Global Coordinators has represented and agreed that the Notes have not been and will not be offered, sold or delivered, directly or indirectly, in Korea or to or for the account or benefit of any Korean resident (as defined under the Foreign Exchange Transaction Law of Korea and the regulations thereunder) except as otherwise permitted by applicable Korean law and regulations (including the sale of the Notes to professional investors (as defined under the Financial Investment Services and Capital Markets Act of Korea and its enforcement decree).

In addition, to the extent required by the applicable laws and regulations of Korea, until the expiration of one year after the issuance of any Notes, such Notes may not be transferred to any resident of Korea except as otherwise permitted by applicable Korean law and regulations (including the sale of the Notes to professional investors in the secondary market if the Notes have been (a) listed in one of the major markets designated by the Financial Supervisory Service or (b) registered with or reported to a financial supervisory authority located in one of such major markets or (c) offered through such procedures as may be considered a public offering). Each of the Joint Bookrunners and Global Coordinators has undertaken to use commercially reasonable best measures as a Joint Bookrunner and Global Coordinator in the ordinary course of its business so that any securities dealer to which it sells Notes confirms that it is purchasing such Notes as principal and agrees with Each of the Joint Bookrunners and Global Coordinators that it will comply with the restrictions described above.

Nigeria

This Offering Circular and the Notes have not been and will not be registered with the Nigerian Securities and Exchange Commission, or under the Investments and Securities Act, No. 29, 2007 (“**ISA**”). Further, neither this Offering Circular nor any other offering material related to the Notes may be utilised in connection with any offering to the public in Nigeria within the meaning of the ISA. The Notes may however be offered and sold in Nigeria in certain transactions exempt from the registration requirements of the ISA. Accordingly, this Offering Circular is not directed to, and the Notes are not available for subscription by, any persons within Nigeria, other than the selected investors to whom this Offering Circular has been addressed as a private sale, or domestic concern, within the exemption and meaning of Section 69(2) of the ISA. Each of the Joint Bookrunners and Global Coordinators has agreed that, other than in accordance with the ISA and regulations made thereunder, it will not offer, sell or deliver the Notes in Nigeria as part of their distribution at any time.

Qatar

Each of the Joint Bookrunners and Global Coordinators has represented and agreed that it has not offered, sold or delivered and will not offer, sell, or deliver, at any time, directly or indirectly, any Notes in the State of Qatar in a manner that would constitute a public offering. This Offering Circular has not been reviewed or approved by or registered with the Qatar Central Bank, the Qatar Exchange or the Qatar Financial Market Authority. The Notes have not been and will not be registered with the Qatar Exchange, the Qatar Financial Market Authority, the Qatar Central Bank or with any other authority pursuant to any laws, regulations and rules in Qatar. Each of the Joint Bookrunners and Global Coordinators acknowledges that the information contained in this Offering Circular is not intended to lead

to the conclusion of any contract of whatsoever nature within the State of Qatar. This Offering Circular will not be governed by Qatar law and will not be submitted to the jurisdiction of any Qatar or Qatar Financial Centre courts.

Saudi Arabia, Kingdom of

This Offering Circular may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Saudi Arabian Capital Market Authority. The Saudi Arabian Capital Market Authority does not make any representation as to the accuracy or completeness of this Offering Circular and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities.

Singapore

Each of the Joint Bookrunners and Global Coordinators has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Bookrunners and Global Coordinators has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor under Section 274 of the Securities and Futures Act (Cap. 289 of Singapore) (“SFA”), (b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

securities (as defined in Section 239(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 such Notes pursuant to an offer made under Section 275 of the SFA, except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

South Africa

Each of the Joint Bookrunners and Global Coordinators has represented, warranted and agreed that it will not make, and this Offering Circular is not intended to be, and does not constitute nor should be construed as constituting, an “offer to the public” (as such expression is defined in the South African Companies Act, 2008 (the “SA Companies Act”), and which expression includes an offer of securities to be issued by a company to any section of the public) of the Notes (whether for subscription, purchase or sale of, or the solicitation of an offer to buy and subscribe for, securities) in South Africa. Accordingly, this Offering Circular does not, nor is it intended to, constitute a prospectus

prepared and registered under the SA Companies Act. Offers of the Notes by a Joint Bookrunner and Global Coordinator in South Africa may be made pursuant to section 96 of the SA Companies Act which section provides for offers that are not deemed to be “offers to the public” and persons in whose possession this Offering Circular comes should consult their professional advisors concerning any applicable South African legal restriction, so as to inform themselves about, and to observe, any such restrictions.

This Offering Circular does not constitute an offer to accept deposits from the "general public" in terms of the South African Banks Act, 1990 (the “**SA Banks Act**”).

Any investment in the Notes offered pursuant to this Offering Circular may be subject to foreign investment (and other legal) restrictions under the South African Exchange Control Regulations, 1961 (as amended) (the “**South African Exchange Control Regulations**”) and may require regulatory approvals in South Africa. Accordingly, all potential investors should consult their professional advisors to obtain appropriate advice (whether legal or otherwise) before making investments and potential investors shall at all relevant times be responsible for ensuring compliance with legal restrictions in South Africa and for obtaining their own exchange control approvals and/or any other regulatory approvals.

Further, each Joint Bookrunner and Global Coordinator has represented, warranted and agreed that in taking any of the following actions in South Africa: (a) offering the Notes for subscription; (b) soliciting any offers for the sale of the Notes; and (c) itself selling or offering the Notes neither it nor any of its affiliates will contravene the SA Companies Act, the SA Banks Act, the South African Exchange Control Regulations and/or any other applicable laws and regulations of South Africa in force from time to time.

Information made available in this Offering Circular should not be construed as constituting the canvassing of, or marketing or advertising of financial services by the Issuer in South Africa. This Offering Circular and any attachments to it constitute objective information about the Issuer and nothing contained in them should be construed as constituting any form of investment “advice” as defined in the Financial Advisory and Intermediary Services Act, 2002 or any recommendation, guidance or proposal of a financial nature in respect of any investment in Notes offered pursuant to this Offering Circular or any transaction in relation to the Issuer.

Taiwan

Each of the Joint Bookrunners and Global Coordinators has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes, directly or indirectly, in the Republic of China (“**ROC**”) or to ROC investors unless otherwise permitted by the laws and regulations of the ROC.

United Arab Emirates (excluding the Dubai International Finance Centre)

Each of the Joint Bookrunners and Global Coordinators has represented and agreed that:

- (a) the Notes to be issued have not been and will not be offered, sold, marketed or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities;
- (b) the information contained in this Offering Circular does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law 8 of 1984 (as amended)), Emirates Securities and Commodities Authority Resolution No. 37 of 2012, or otherwise and is not intended to be a public offer. The information contained in this Offering Circular is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates nor be used for the purpose of an offer or invitation to subscribe for such securities or enter into any such contract in the United Arab Emirates;
- (c) the Notes to be issued under this Offering Circular have not been and will not be reviewed, approved, disapproved, registered, filed or passed in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental regulatory body or securities exchange;
- (d) Each of the Joint Bookrunners and Global Coordinators has not received authorisation or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the Notes within the United Arab

Emirates and is not licensed to act as a broker or investment adviser in the United Arab Emirates and does not advise persons resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or other financial products;

- (e) no subscription for the Notes may be consummated within the United Arab Emirates;
- (f) no services relating to the Notes, including the receipt of applications and/or the allotment or redemption of Notes, may be rendered within the United Arab Emirates by the Issuer; and
- (g) this Offering Circular is being issued to a limited number of institutional and sophisticated investors at their request. It is strictly private and confidential and must not be provided to any person other than the original recipient to whom this document is personally provided, and may not be reproduced or used for any other purpose.

United Arab Emirates (Dubai International Financial Centre only)

Each of the Joint Bookrunners and Global Coordinators has represented and agreed that it will offer the Notes in the Dubai International Financial Centre by way of private placement only to those prospective investors who are “Professional Clients” of the type specified in Conduct of Business Rule 2.3.2(2) of the Dubai Financial Services Authority (“DFSA”). This Offering Circular is therefore only directed at such persons shall not be given to or relied upon by any person who is not a “Professional Client” of the type specified in such rule.

The Notes are not subject to any form of regulation or approval by the DFSA. Accordingly, the DFSA does not accept any responsibility for the content of the information included in the Offering Circular, including the accuracy or completeness of such information. The liability for the content of the Offering Circular lies with the Issuer. The DFSA has also not assessed the suitability of the Notes to which the Offering Circular relates to any particular investor or type of investor. If you do not understand the contents of this Offering Circular or are unsure whether the Notes to which the Offering Circular relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial advisor.

United Kingdom

Each of the Joint Bookrunners and Global Coordinators 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 the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; 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 Notes in, from or otherwise involving the United Kingdom.

United States

Each of the Joint Bookrunners and Global Coordinators has represented, warranted and undertaken that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates (including any person acting on behalf of it or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in the paragraph above have the meanings given to them by Regulation S under the Securities Act.

General

Neither this Offering Circular nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Issue may be used in connection with, and does not constitute an offer or solicitation or invitation by or on behalf of any person to subscribe for or purchase, the Notes in any jurisdiction in which such offer, solicitation or invitation is unlawful or not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. The distribution and publication of this Offering Circular or any such other document or information and the offer of the Notes in certain jurisdictions may be restricted by law. Persons who distribute or publish this Offering Circular or any such other document or information or into whose possession this Offering Circular or any such other

document or information comes are required to inform themselves about and to observe any such restrictions and all applicable laws, orders, rules and regulations.

Each Joint Bookrunners and Global Coordinator is not obliged to facilitate trading in the Notes (or beneficial interests therein) and any such activities, if commenced, may be discontinued at any time, for any reason, without notice. If a Joint Bookrunner and Global Coordinator does not facilitate trading in the Notes (or beneficial interests therein) for any reason, there can be no assurance that another firm or person will do so.

Each Joint Bookrunner and Global Coordinator and its affiliates may also engage in investment or commercial banking and other dealings in the ordinary course of business with the Borrower, the Keepwell Provider, the Demand Guarantor or their respective affiliates, including the extension of credit facilities, from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, each Joint Bookrunner and Global Coordinator and its affiliates may, from time to time after completion of the offering of the Notes, engage in other transactions with, and perform services for, the Borrower, the Keepwell Provider, the Demand Guarantor or their respective affiliates in the ordinary course of their business. Each Joint Bookrunner and Global Coordinator or its affiliates may purchase the Notes for its own account or enter into secondary market transactions or derivative transactions relating to the Notes, including, without limitation, purchase, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackagings and credit default swaps, at the same time as the offering of the Notes. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be a purchaser of the Notes). As a result of such transactions, each Joint Bookrunner and Global Coordinator or its affiliates may hold long or short positions relating to the Notes. Each Joint Bookrunner and Global Coordinator or its affiliates may also purchase Notes for asset management and/or proprietary purposes but not with a view to distribution or may hold Notes on behalf of clients or in the capacity of investment advisors. While each Joint Bookrunner and Global Coordinator and its affiliates have policies and procedures to deal with conflicts of interests, any of the above transactions may cause a Joint Bookrunner and Global Coordinator or its affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. Each Joint Bookrunner and Global Coordinator may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes.

Any person who may be in doubt as to the restrictions set out in the laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers the Notes or any interest therein or rights in respect thereof and the consequences arising from a contravention thereof should consult his own professional advisers and should make his own inquiries as to the laws, regulations and directives in force or applicable in any particular jurisdiction at any relevant time.

GENERAL INFORMATION

- (a) The issue of the Notes has been duly authorised by resolutions of the Board of Directors of the Issuer passed on 22 December 2016.
- (b) The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear with the Common Code 154550674 and ISIN XS1545506740.
- (c) The Issuer has not since incorporation been involved in any governmental, legal or arbitration proceedings which may have or have had a significant effect on the financial position or profitability of the Issuer nor, so far as the Issuer is aware, is any such governmental, legal or arbitration proceedings involving it pending or threatened.
- (d) Since its date of incorporation, there has been (i) no material adverse change in the prospects of the Issuer; and (ii) no significant change in the financial or trading position of the Issuer.
- (e) The Issuer has not commenced operations or published any audited financial statements to date. The Issuer is not required under Cayman Islands law to prepare annual financial statements or audited accounts.
- (f) Application has been made for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Notes to the Official List of the SGX-ST or quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a global certificate is exchanged for definitive certificates. In addition, in the event that a global certificate is exchanged for definitive certificates, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.
- (g) The Issuer does not intend to provide post-issuance transaction information regarding the securities being admitted to trading or the performance of the underlying asset.
- (h) So long as any Notes are outstanding, copies of the following documents may be inspected in physical form at the specified office of the Principal Paying Agent upon prior written request at Deutsche Bank AG, Hong Kong Branch, 52/F International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong during normal business hours:
 - (i) the memorandum and articles of association of the Issuer;
 - (ii) the Trust Deed;
 - (iii) the Agency Agreement;
 - (iv) the Security Trust Deed;
 - (v) the Security Assignment;
 - (vi) the Accounts Charge;
 - (vii) the Loan Purchase Agreement;
 - (viii) the Transaction Administration Agreement;
 - (ix) the Facility Agreement;

- (x) the Demand Guarantee;
 - (xi) the Keepwell Deed; and
 - (xii) memorandum of association and articles of association of the Borrower.
- (i) Copies of the audited consolidated financial statements for the financial years ended 31 December 2014 and 31 December 2015 of the Keepwell Provider are annexed to this Offering Circular.
- (j) The Borrower has not commenced operations or published any audited financial statements to date. The Borrower is not required under the law of the British Virgin Islands to prepare annual financial statements or audited accounts.
- (k) Copies of the audited consolidated financial statements for the Demand Guarantor for the financial years ended 31 December 2014 and 31 December 2015, along with the latest interim consolidated financial statements for the Demand Guarantor for the six (6) months ended 30 June 2016, may be obtained free of charge from the website of the Hong Kong Stock Exchange on the internet at <http://www.hkex.com.hk/> and the website of the Demand Guarantor at <http://www.ccb.com/en/newinvestor/annals.html>. Information on the above-mentioned websites does not form a part of this Offering Circular.

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Copies of the audited consolidated financial statements for the financial years ended 31 December 2014 and 31 December 2015 of the Keepwell Provider are annexed to this Offering Circular.

The Borrower has not commenced operations or published any audited financial statements to date. The Borrower is not required under the law of the British Virgin Islands to prepare annual financial statements or audited accounts.

Copies of the audited consolidated financial statements for the Demand Guarantor for the financial years ended 31 December 2014 and 31 December 2015, along with the latest interim consolidated financial statements for the Demand Guarantor for the six (6) months ended 30 June 2016, may be obtained free of charge from the website of the Hong Kong Stock Exchange on the internet at <http://www.hkex.com.hk/> and the website of the Demand Guarantor at <http://www.ccb.com/en/newinvestor/annals.html>. Information on the above-mentioned websites does not form a part of this Offering Circular.

None of the Issuer, the Joint Bookrunners and Global Coordinators, the Agents, the Trustee, the Security Trustee, the Transaction Administrator or the Account Bank or their respective affiliates, employees, directors or advisors has separately verified the information contained in such financial statements. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Issuer, the Joint Bookrunners and Global Coordinators, the Agents, the Trustee, the Security Trustee, the Transaction Administrator or the Account Bank or any of their respective affiliates, employees, directors or advisors as to the accuracy or completeness of the information contained in such financial statements.

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The audited consolidated financial statements have only been prepared in Chinese and the English translations of such financial statements (the “**Financial Statements Translation**”) have been prepared and included in this Offering Circular for reference only. Should there be any inconsistency between the audited consolidated financial statements and the Financial Statements Translation, the audited consolidated financial statements in Chinese shall prevail. The Financial Statements Translation do not, by themselves, constitute audited financial statements, and is qualified in their entirety by, and is subject to the more detailed information and the financial information set out or referred to in, the audited consolidated financial statements. None of the Joint Bookrunners and Global Coordinators, the Trustee, the Agents, the Security Trustee, the Transaction Administrator, the Account Bank nor their respective affiliates, directors, officers and advisors (i) has independently verified or checked the accuracy of the Financial Statements Translation, and (ii) can give any assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. Consequently, such Financial Statements Translation should not be relied upon by potential purchasers to provide the same quality of information associated with information that has been subject to an audit or review. Potential purchasers of the Notes must exercise caution when using such financial information to evaluate the financial condition, results of operations and prospects of the Borrower and the Keepwell Provider.

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