

IMPORTANT NOTICE

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IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the “**Offering Circular**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

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 HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION 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. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON, ELECTRONICALLY OR OTHERWISE, AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY US ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to Zhongrong International Bond 2018 Limited (the “**Issuer**”), Zhongrong International Holdings Limited (the “**Guarantor**”), Zhongrong International Trust Co., Ltd. (the “**Company**”) and each of Haitong International Securities Company Limited, Zhongrong PT Securities Limited, Great Roc Capital Securities Limited and Founder Securities (Hong Kong) Limited (the “**Joint Lead Managers**”, each a “**Joint Lead Manager**”) that you and any customers you represent are not, and the electronic mail address that you gave the Joint Lead Managers to which this e-mail has been delivered is not, located in the United States and that you consent to delivery of such Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached document is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the 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 the 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.

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

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Guarantor, the Company, the Joint Lead Managers, the Trustee, the Agents, nor any person who controls any of them, nor their respective directors, officers, employees, representatives nor agents, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

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

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

ZHONGRONG INTERNATIONAL BOND 2018 LIMITED

(incorporated in the British Virgin Islands with limited liability)

U.S.\$200,000,000 7.60 PER CENT. GUARANTEED NOTES DUE 2020

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

ZHONGRONG INTERNATIONAL HOLDINGS LIMITED

(incorporated in the British Virgin Islands with limited liability)

WITH THE BENEFIT OF A KEEPWELL AND LIQUIDITY SUPPORT AND A DEED OF EQUITY INTEREST PURCHASE UNDERTAKING BY



ZHONGRONG INTERNATIONAL TRUST CO., LTD.

(incorporated in the People's Republic of China with limited liability)

ISSUE PRICE: 100 PER CENT.

The 7.60 per cent. guaranteed notes due 2020 (the "Notes") will be issued in the aggregate principal amount of U.S.\$200,000,000 by Zhongrong International Bond 2018 Limited (the "Issuer") and are in registered form in the denomination of U.S.\$200,000 each and integral multiples of U.S.\$1,000 in excess thereof. The Notes will be unconditionally and irrevocably guaranteed (the "Guarantee of the Notes") by Zhongrong International Holdings Limited (the "Guarantor"). The Issuer is a direct, wholly-owned subsidiary of the Guarantor and the Guarantor in turn is an indirect, wholly-owned subsidiary of Zhongrong International Trust Co., Ltd. (the "Company").

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "NDRC Circular") issued by the National Development and Reform Commission of the PRC (as defined below) (the "NDRC") on 14 September 2015 which came into effect on the same day, the Company has registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC on 11 April 2018 evidencing such registration which, at the date of this Offering Circular, remains valid and in full force and effect. The Company intends to provide the requisite information on the issuance of the Notes to the NDRC within 10 PRC Business Days (as defined in the Terms and Conditions of the Notes (the "Terms and Conditions")) after the Issue Date (as defined in the Terms and Conditions).

The Issuer, the Guarantor and the Company will enter into a keepwell and liquidity support deed on or about 11 June 2018 (the "Keepwell and Liquidity Support Deed") with Bank of Communications Trustee Limited (the "Trustee") as trustee of the Notes as further described in "Offer Structure — The Keepwell and Liquidity Support Deed" and "Description of the Keepwell and Liquidity Support Deed". Furthermore, the Issuer, the Guarantor and the Company will enter into a deed of equity interest purchase undertaking on or about 11 June 2018 (the "Deed of Equity Interest Purchase Undertaking") with the Trustee as further described in "Offer Structure — The Deed of Equity Interest Purchase Undertaking" and "Description of the Deed of Equity Interest Purchase Undertaking". None of the Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking constitutes a direct or indirect guarantee of the Notes by the Company.

The Notes will bear interest from 11 June 2018 at the rate of 7.60 per cent. per annum. Interest on the Notes is payable semi-annually in arrear on 11 June and 11 December in each year, commencing with the first Interest Payment Date (as defined in the Terms and Conditions) falling on 11 June 2018.

The Notes will constitute direct, general, unsubordinated and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Guarantee of the Notes will constitute direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Payments on the Notes will be made without withholding or deduction for taxes of the British Virgin Islands or the PRC (each as defined herein) to the extent described in "Terms and Conditions of the Notes — Taxation".

Pursuant to an account bank agreement dated on or about 11 June 2018 (the "Account Bank Agreement") entered into between the Issuer, the Guarantor, the Trustee and Bank of Communications Co., Ltd. Hong Kong Branch (the "Account Bank"), the Issuer will deposit an amount not less than the Specified Balance (as defined in the Terms and Conditions) into the Interest Reserve Account (as defined in the Terms and Conditions) on the date on which the Notes are issued and will maintain an amount not less than the Specified Balance in the Interest Reserve Account at all times prior to the Maturity Date (as defined herein), unless otherwise permitted under the Terms and Conditions. See "Terms and Conditions of the Notes — Covenants — Interest Reserve".

Unless previously redeemed, or purchased and cancelled as provided herein, the Issuer will redeem each Note at its principal amount in U.S. dollars on the Interest Payment Date falling on 11 June 2020 (the "Maturity Date"). At any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (as defined in the Terms and Conditions) (which notice shall be irrevocable), the Issuer may redeem the Notes in whole, but not in part, at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that the Issuer or the Guarantor has or will become obliged to pay Additional Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC (as the case may be) or any political subdivision or any authority thereof or therein having power to tax, and such obligation cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it. At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions), each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of such Noteholder's Notes on the Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. of their principal amount together with accrued interest to such Put Settlement Date. See "Terms and Conditions of the Notes — Redemption and Purchase".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST and quotation of the Notes is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Company, the Group, their respective subsidiaries, their respective associated companies (if any), the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Notes.

Investing in the Notes involves certain risks. See "Risk Factors" beginning on page 11 for a description of certain factors to be considered in connection with an investment in the Notes.

The Notes and the Guarantee of 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 and are only being offered and sold outside the United States in compliance with Regulation S under the Securities Act ("Regulation S"). For a description of these and certain restrictions on offers and sales of the Notes and the Guarantee of the Notes and the distribution of this Offering Circular, see "Subscription and Sale".

The Guarantor has a credit rating of "BB-" from Standard & Poor's Rating Services ("S&P"). The Company has a credit rating of "BB+" from S&P. A security or credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes will be represented by beneficial interests in a global note certificate (the "Global Note Certificate") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 11 June 2018 (the "Issue Date") with a common depository for, Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking S.A. ("Clearstream"), together with Euroclear, the "Clearing Systems". Beneficial interests in the Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, individual certificates for Notes of will not be issued in exchange for interests in the Global Note Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Haitong
International

Zhongrong PT
Securities Limited

Joint Bookrunners and Joint Lead Managers

Great Roc Capital
Securities Limited

Founder Securities
(Hong Kong) Limited

Offering Circular dated 4 June 2018

IMPORTANT NOTICE

Each of the Issuer, the Guarantor and the Company, having made all reasonable enquiries, confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, the Company and its subsidiaries taken as a whole (collectively, the “**Group**”), the Notes, the Guarantee of the Notes, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Account Bank Agreement which is material in the context of the issue, offering, sale or distribution of the Notes (including all information which, according to the particular nature of the Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee of the Notes, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Account Bank Agreement, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Company, the Group and of the rights attaching to the Notes, the Guarantee of the Notes, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Account Bank Agreement), (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee of the Notes, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Account Bank Agreement are in all material respects true and accurate and not misleading, (iii) the opinions and intentions relating to the Issuer, the Guarantor, the Company and the Group expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, and (iv) all reasonable enquiries have been made by the Issuer, the Guarantor and the Company to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular has been prepared by the Issuer, the Guarantor and the Company 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, the Guarantor, the Company, Haitong International Securities Company Limited, Zhongrong PT Securities Limited, Great Roc Capital Securities Limited and Founder Securities (Hong Kong) Limited (the “**Joint Lead Managers**”), the Trustee and the Agents (as defined in the “*Terms and Conditions of the Notes*”) to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Company, the Joint Lead Managers, the Trustee and the Agents represents that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of the Notes or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Notes in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes 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 the distribution of this Offering Circular, see “*Subscription and Sale*”. This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

No person has been or is authorised in connection with the issue, offer or sale of the Notes to give any information or to make any representation concerning the Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee of the Notes, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Account Bank Agreement other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Company, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates. 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 Guarantor, the Company, the Group, or any of them 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 Guarantor, the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates 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 is being furnished by the Issuer, the Guarantor and the Company solely for use in connection with the proposed offering of the Notes exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Notes. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer, the Guarantor, the Company and other sources identified in this Offering Circular and none of the Issuer, the Guarantor and the Company has authorised its use for any other purpose. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Notes offered by this Offering Circular is prohibited. Each person into whose possession this Offering Circular comes, by accepting delivery of this Offering Circular, agrees to the foregoing.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, representatives, agents or advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Notes, the Guarantee of the Notes, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Account Bank Agreement and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, representatives, agents or advisers. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, employees, representatives, agents or advisers have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, representatives, agents or advisers accepts any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Guarantor, the Company, the Group, the issue and offering of the Notes or the giving of the Guarantee of the Notes, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Account Bank Agreement. Each of the Joint Lead Managers, the Trustee, the Agents and their respective affiliates, directors, employees, representatives, agents or advisers 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. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, representatives, agents or advisers undertakes to review the financial condition or affairs of the Issuer, the Guarantor, the Company or the Group 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 Lead Managers, the Trustee, the Agents or their respective affiliates.

This Offering Circular is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Issuer, the Guarantor, the Company, the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisors as it deems necessary.

Any of the Joint Lead Managers, and their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer, the Guarantor or the Company or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. 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 purchasers of the Notes). Furthermore, investors in the Notes may include entities affiliated with the Group.

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her adviser.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF THE JOINT LEAD MANAGER APPOINTED AND ACTING AS THE STABILISATION MANAGER (THE “STABILISATION MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Company, the Group and the terms of the offering of the Notes, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes. The Issuer, the Guarantor, the Company, the Group, the Joint Lead Managers, the Trustee and the Agents and their respective affiliates are not making any representation to any purchaser of the Notes regarding the legality of any investment in the Notes by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates in connection with its investigation of the accuracy of such information or its investment decision.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer, the Guarantor and the Company believe this information to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Company, the Joint Lead Managers, the Trustee or the Agents or their respective directors, advisers, employees, representatives, agents and affiliates, and none of the Issuer, the Guarantor, the Company, the Joint Lead Managers, the Trustee or the Agents or their respective directors, affiliates, advisers, agents, representatives or employees makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Group as at and for the two years ended 31 December 2015 and 2016 have been audited by Baker Tilly China Certified Public Accountants, while the audited consolidated financial statements of the Group as at and for the years ended 31 December 2017 has been audited by WUYIGE Certified Public Accountants LLP (together, the “**Group’s Financial Statements**”), as included elsewhere in this Offering Circular. The Group’s Financial Statements have been prepared and presented in accordance with the Accounting Standards for Business Enterprises in China (“**PRC GAAP**”).

The audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2017 (the “**Guarantor’s Financial Statements**”) have been audited by PKF Hong Kong Limited and are included elsewhere in this Offering Circular. The Guarantor’s Financial Statements have been prepared and presented in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”).

PRC GAAP differs in certain material respects from the International Financial Reporting Standards (“**IFRS**”). For a discussion of certain differences between PRC GAAP and IFRS, see “*Summary of Significant Differences between PRC GAAP and IFRS*”.

CERTAIN DEFINITIONS AND CONVENTIONS

Unless the context otherwise requires, references in this Offering Circular to “**Hong Kong dollars**”, “**HK dollars**” or “**HK\$**” are to the lawful currency of Hong Kong, “**Renminbi**” and “**RMB**” are to the lawful currency of the PRC, “**\$**” are to the lawful currency of the Republic of Singapore, “**U.S. dollars**”, “**U.S.\$**” and “**USD**” are to the lawful currency of the United States of America (the “**United States**”), “**PRC**” and “**China**” are to the People’s Republic of China which for the purpose of this Offering Circular excludes Hong Kong, Macau and Taiwan, “**Hong Kong**” are to the Hong Kong Special Administrative Region of the PRC, and “**Macau**” are to the Macau Special Administrative Region of the PRC.

In this Offering Circular, certain amounts and percentages may have been rounded up or down, including but not limited to where information has been presented in thousands, millions, or billions of units. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

FORWARD-LOOKING STATEMENTS

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

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in “*Risk Factors*” and elsewhere in this Offering Circular. The Issuer, the Guarantor, the Company caution investors not to place undue reliance on these forward-looking statements which reflect their managements’ view only as at the date of this Offering Circular.

None of the Issuer, the Guarantor or the Company undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer, the Guarantor, the Company or the Group could differ materially from those anticipated in these forward-looking statements.

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THE OFFERING

The following summary contains some basic information about the Notes and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Notes” shall have the same meanings in this summary. For a complete description of the terms of the Notes, see “Terms and Conditions of the Notes” in this Offering Circular. This summary is not intended to be complete and does not contain all of the information that is important to an investor.

Issuer.....	Zhongrong International Bond 2018 Limited
Guarantor	Zhongrong International Holdings Limited
Company	Zhongrong International Trust Co., Ltd.
Notes	U.S.\$200,000,000 7.60 per cent. Guaranteed Notes due 2020.
Guarantee of the Notes	Payment of all sums from time to time payable by the Issuer in respect of the Notes is irrevocably and unconditionally guaranteed by the Guarantor.
Issue Price.....	100 per cent.
Form and Denomination	The Notes will be issued in registered form in the denomination of U.S.\$200,000 each and integral multiples of U.S.\$1,000 in excess thereof.
Interest	The Notes will bear interest from and including 11 June 2018 at the rate of 7.60 per cent. per annum, payable semi-annually in arrear on 11 June and 11 December in each year.
Interest Reserve	On the Issue Date, the Issuer shall deposit or procure that there shall be deposited into the Interest Reserve Account U.S.\$7,600,000, being the amount which is equal to the amount of interest due in respect of the Notes for the first Interest Period after the Issue Date, as the initial Specified Balance. The Interest Reserve Account will be established with the Account Bank. Prior to the Maturity Date, the Issuer shall, unless otherwise permitted under the Terms and Conditions, maintain the Specified Balance in the Interest Reserve Account.
Issue Date	11 June 2018.
Maturity Date.....	11 June 2020.
Status of the Notes	The Notes constitute direct, general, unsubordinated and unconditional obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Status of the Guarantee of the Notes.	The Guarantee of the Notes constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least <i>pari passu</i> with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. See “Risk Factors — Risks relating to the Notes and the Guarantee of the Notes”.

Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 3(a) of the Terms and Conditions.
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount in U.S. dollars on the Maturity Date.
Taxation	<p>All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. Where such withholding or deduction is made by the Issuer or the Guarantor in the PRC at the rate applicable on 4 June 2018 (the “Applicable Rate”), the Issuer or (as the case may be) the Guarantor will pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.</p> <p>In the event that the Issuer or (as the case may be) the Guarantor is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate; or (ii) by or within the British Virgin Islands, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the “Additional Amounts”) as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note in the circumstances set out in Condition 7 of the Terms and Conditions.</p>
Redemption for Tax Reasons	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with the Terms and Conditions (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that (A) the Issuer or the Guarantor has or will become obliged to pay Additional Amounts as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 4 June 2018 and (B) such obligation cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Redemption for Change of Control ..

At any time following the occurrence of a Change of Control, each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Put Settlement Date at 101 per cent. of their principal amount, together with accrued interest to such Put Settlement Date. A "**Change of Control**" occurs when:

- (a) the Company ceases to have Control of the Guarantor;
- (b) Jingwei Textile Machinery Co., Ltd. ceases to be the largest direct or indirect holder of the issued share capital of the Company;
- (c) the Substantial Shareholders cease to in aggregate have Control of the Company; or
- (d) SASAC ceases to legally or beneficially hold or own (directly or indirectly) in aggregate more than 25 per cent. of the issued share capital of the Company.

"**Control**" means (where applicable), with respect to a person, either (i) or (ii) is satisfied: (i) the ownership, acquisition or control of the Relevant Percentage of the voting rights of the issued share capital of such person, whether obtained directly or indirectly or (ii) the right to appoint and/or remove the Relevant Percentage of the members of the person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

"**Relevant Percentage**" means (a) in the case of Control of the Company over the Guarantor, 100 per cent. and (b) in the case of Control of the Substantial Shareholders over the Company, at least 51 per cent.;

"**SASAC**" means the State-owned Assets Supervision and Administration of the State Council of PRC or its successor, including any municipal or provincial bureau of SASAC; and

"**Substantial Shareholder**" means Jingwei Textile Machinery Co., Ltd., Harbin Investment Group Co., Ltd. or any other state-owned enterprise or company more than 50 per cent. owned or controlled directly or indirectly by SASAC that holds or owns any issued share capital of the Company.

Events of Default.....

Upon the occurrence of certain events as described in Condition 8 of the Terms and Conditions, the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality.

Clearing Systems	The Notes will be represented by beneficial interests in the Global Note Certificate in registered form, which will be registered in the name of a nominee of, and deposited on or about the Issue Date with a common depository for, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Note Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Note Certificate.
Clearance and Settlement.....	The Notes have been accepted for clearance by Euroclear and Clearstream, Luxembourg under the following codes: ISIN: XS1827601615 Common Code: 182760161
Governing Law	English law
Trustee	Bank of Communications Trustee Limited
Principal Paying Agent	Bank of Communications Co., Ltd. Hong Kong Branch
Registrar and Transfer Agent.....	Bank of Communications Co., Ltd. Hong Kong Branch
Account Bank	Bank of Communications Co., Ltd. Hong Kong Branch
Listing	Approval in-principle has been received from the SGX-ST 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 expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Company, the Group, their respective subsidiaries, their respective associated companies (if any), the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) for as long as any of the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.
Use of Proceeds	See “ <i>Use of Proceeds</i> ”.
Keepwell and Liquidity Support Deed	The Issuer, the Guarantor and the Company will enter into the Keepwell and Liquidity Support Deed with the Trustee as further described in “ <i>Offer Structure — The Keepwell and Liquidity Support Deed</i> ” and “ <i>Description of the Keepwell and Liquidity Support Deed</i> ”.
Deed of Equity Interest Purchase Undertaking.....	The Issuer, the Guarantor and the Company will enter into the Deed of Equity Interest Purchase Undertaking with the Trustee as further described in “ <i>Offer Structure — The Deed of Equity Interest Purchase Undertaking</i> ” and “ <i>Description of the Deed of Equity Interest Purchase Undertaking</i> ”.

Account Bank Agreement

The Issuer and the Guarantor will enter into the Account Bank Agreement with the Trustee and the Account Bank in respect of the Interest Reserve Account.

Ratings

The Guarantor has a credit rating of “BB-” from S&P. The Company has a credit rating of “BB+” from S&P.

A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or may be withdrawn at any time.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

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

The summary audited consolidated financial information as at and for the three years ended 31 December 2015, 2016 and 2017 have been derived from the Group's audited consolidated financial statements for the two years ended 31 December 2016 and 2017, which have been audited by WUYIGE Certified Public Accountants LLP, and included elsewhere in this Offering Circular. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, such consolidated financial statements of the Group and, including the notes thereto, included elsewhere in this Offering Circular. Historical results of the Group are not necessarily indicative of results that may be achieved for any future period.

The Group's financial statements have been prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain material respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "Summary of Significant Differences between PRC GAAP and IFRS".

CONSOLIDATED BALANCE SHEET OF THE GROUP

	As at 31 December		
	2017	2016	2015
	(audited)	(audited) (RMB)	(audited)
Assets			
Cash and cash equivalent.....	9,031,278,954.43	11,100,175,309.54	7,734,154,186.97
Deposit Reservation for Balance.....	845,454.55		
Financial assets measured at fair value through profit and loss	4,752,129,818.02	4,086,514,116.41	6,152,546,921.81
Accounts receivable	168,304,186.08	211,359,361.10	72,867,484.49
Prepayments	277,474.30		3,268,431.79
Interest receivable	49,805,585.60	38,653,417.99	45,007,209.28
Dividends receivable		55,161,595.19	20,803,274.80
Other receivables.....	173,951,902.68	580,723,657.90	236,423,826.64
Financial assets purchased under resale agreements.....	38,000,000.00	10,000,000.00	
Inventories.....	34,039.85		
Loans and advances to customers.....	3,544,052,778.70	700,000,000.00	
Available-for-sale financial assets.....	8,115,691,430.13	6,027,738,263.73	2,272,304,724.64
Long-term equity investments.....	2,146,752,079.42	2,101,008,100.38	1,647,720,018.19
Fixed assets	21,820,448.04	29,342,491.77	28,944,704.74
Intangible assets	52,555,569.17	37,659,773.29	32,914,011.88
Development expenditure.....	287,819.71		
Goodwill.....	23,947,504.99		
Long-term prepaid expenses	23,946,211.63	38,713,670.31	37,847,678.12
Deferred tax assets	632,615,941.08	634,195,455.49	567,014,719.73
Other assets	11,997,830.36		
Total Assets	28,788,295,028.74	25,651,245,213.10	18,851,817,193.08
Liabilities			
Short-term loans.....		344,422,050.00	
Placements from banks and other financial institutions	2,000,000,000.00	1,300,000,000.00	1,700,000,000.00
Accounts payable	62,893,808.85	11,983,193.75	5,863,443.50
Advances from Customers	51,401,696.60	31,157,205.58	72,640,391.61
Payroll payable.....	2,484,098,786.97	2,322,024,819.33	1,567,883,595.07

	As at 31 December		
	2017	2016	2015
	(audited)	(audited) (RMB)	(audited)
Taxes payable.....	359,647,875.25	649,811,872.81	498,498,749.54
Interest payable.....	15,020,166.28	15,104,452.72	9,848,205.57
Dividend payable.....		1,200,000,000.00	600,000,000.00
Other payables.....	96,683,820.35	281,555,085.63	59,525,493.41
Bonds payable.....	3,255,369,704.68	4,990,614,182.88	1,441,923,043.85
Long-term payroll payable.....	425,342,698.02	510,392,911.05	1,010,911,029.88
Deferred tax liabilities.....	29,746,250.00		
Total Liabilities.....	10,248,148,301.48	11,657,065,773.75	6,967,093,952.43
Owners' (Shareholders') Equity:			
Paid-in capital (share capital).....	12,000,000,000.00	6,000,000,000.00	6,000,000,000.00
Additional Paid-in Capital.....	236,423,868.22	234,521,087.48	232,131,386.16
Other comprehensive income.....	167,940,680.43	100,003,674.58	43,779,125.99
Incl: Foreign currency translation differences.....	7,169,637.11	18,416,998.72	2,255,947.67
Surplus reserve.....	1,521,491,740.03	1,304,531,098.36	1,068,059,563.20
General risk reserve.....	1,092,899,624.72	821,030,868.54	695,249,335.63
Retained earnings.....	1,953,539,632.41	4,800,581,900.77	3,431,444,594.38
Total Owners' Equity Attributable To Parent Company.....	16,972,295,545.81	13,260,668,629.73	11,470,664,005.36
Minority interests.....	1,567,851,181.45	733,510,809.62	414,059,235.29
Total Owners' Equity.....	18,540,146,727.26	13,994,179,439.35	11,884,723,240.65
Total Liabilities and Owners' Equity.....	28,788,295,028.74	25,651,245,213.10	18,851,817,193.08

CONSOLIDATED STATEMENT OF INCOME OF THE GROUP

	Year ended 31 December		
	2017	2016	2015
	(audited)	(audited) (RMB)	(audited)
I. Total operating income	6,533,003,923.94	6,796,554,337.08	6,587,819,030.25
Net interest income	315,808,649.53	153,808,410.93	123,721,285.15
Interest income	440,140,593.97	203,723,549.80	216,267,396.27
Interest expenses	124,331,944.44	49,915,138.87	92,546,111.12
Net fee and commission income	3,074,460,289.86	3,958,391,779.71	4,617,699,794.68
Fee and commission income	3,074,460,289.86	3,958,391,779.71	4,617,699,794.68
Fee and commission expenses			
Operating income	587,785,815.50	954,041,915.46	201,771,770.58
Investment income	1,380,008,447.58	533,575,306.16	792,093,532.71
Gains from changes in fair values	(1,973,390.31)	16,220,745.54	(33,067,269.52)
Foreign exchange gains	(351,845.82)	474,350.27	901,142.69
Other operating income	1,174,719,939.39	1,179,617,286.64	884,698,773.96
Gains from disposal of assets (“-” for loss)	476,418.21	424,542.37	—
Other income	2,069,600.00	—	—
II. Total operating costs	2,917,741,940.27	3,421,169,147.62	3,310,402,691.54
Business tax and surcharges	40,310,868.77	118,835,852.43	324,089,716.19
Operation and administrative expenses	2,856,932,530.57	3,289,657,718.84	2,790,958,685.06
Losses of assets impairment	20,335,251.99	12,624,255.60	194,892,403.50
Other operating Cost	163,288.94	51,320.75	461,886.79
III. Operating profit	3,615,261,983.67	3,375,385,189.46	3,277,416,338.71
Add: Non-operating income	16,213,932.14	157,698,859.33	98,929,053.04
Less: Non-operating expenses	10,724,540.77	8,418,043.23	4,771,387.38
IV. Total profit	3,620,751,375.04	3,524,666,005.56	3,371,574,004.37
Less: Income tax expenses	815,369,042.07	820,653,559.99	766,166,859.82
V. Net profit	2,805,382,332.97	2,704,012,445.57	2,605,407,144.55
Net profit attributable to owners of parent Company	2,747,369,279.87	2,631,390,374.46	2,534,520,938.26
Profit or loss attributable to minority interests	58,013,053.10	72,622,071.11	70,886,206.29
VI. Other comprehensive income	68,555,358.48	58,570,745.29	145,336,883.73
VII. Total comprehensive income	2,873,937,691.45	2,762,583,190.86	2,750,744,028.28
Total comprehensive income attributable to owners of parent Company	2,815,306,285.72	2,687,614,923.05	2,684,173,396.78
Total comprehensive income attributable to minority interests	58,631,405.73	74,968,267.81	66,570,631.50

SUMMARY FINANCIAL INFORMATION OF THE GUARANTOR

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

The summary audited consolidated financial information as at 31 December 2016 and 2017 has been derived from the Guarantor's audited consolidated financial statements for the year ended 31 December 2017, which have been audited by PKF Hong Kong Limited, and included elsewhere in this Offering Circular.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, such consolidated financial statements of the Guarantor and, including the notes thereto, included elsewhere in this Offering Circular. Historical results of the Guarantor are not necessarily indicative of results that may be achieved for any future period.

The Guarantor's audited consolidated financial statements have been prepared and presented in accordance with Hong Kong Financial Reporting Standards.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 December 2017	Year ended 31 December 2016
	(audited)	(audited)
	(RMB)	
Revenue	300,678,010	272,840,861
Other income and other gain, net.....	183,978,835	13,561,561
Administrative expenses.....	(63,956,768)	(36,534,142)
Finance costs	(343,684,701)	(226,944,131)
Profit before income tax	77,015,376	22,924,149
Income tax expense	(7,067,688)	(9,062,295)
Profit for the year	69,947,688	13,861,854
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of foreign subsidiaries	(12,266,471)	16,270,838
Surplus/(deficit) on revaluation of available-for-sale financial assets ..	60,054,430	(311,057)
Other comprehensive income for the year	47,787,959	15,959,781
Total comprehensive income for the year	117,735,647	29,821,635
Attributable to:		
Member of the Guarantor.....	117,174,306	29,821,635
Non-controlling interests	561,341	—
	117,735,647	29,821,635

Consolidated statement of financial position

	As at 31 December	
	2017	2016
	(audited)	(audited)
	(RMB)	
Non-current assets		
Property, plant and equipment.....	2,835,394	936,582
Goodwill.....	27,974,118	—
Available-for-sale financial assets.....	215,354,661	2,305,322,866
Loans to third parties	199,302,962	—
	<u>445,467,135</u>	<u>2,306,259,448</u>
Current assets		
Trade and other receivables	38,357,979	33,232,021
Available-for-sale financial assets.....	1,368,914,009	—
Financial assets at fair value through profit or loss	186,896,844	350,960,988
Loans to third parties	1,140,049,817	—
Amounts due from fellow subsidiaries	1,099,670	640,886,307
Client trust bank balances	48,781,369	—
Cash and cash equivalents	1,990,103,263	2,176,372,310
	<u>4,774,202,951</u>	<u>3,201,451,626</u>
Current liabilities		
Trade payables.....	53,985,965	—
Accruals and other payables.....	36,335,628	238,457,540
Debentures.....	1,467,943,494	—
Tax payable	16,165,358	9,531,238
	<u>1,574,430,445</u>	<u>247,988,778</u>
Net current assets	<u>3,199,772,506</u>	<u>2,953,462,848</u>
Net assets less current liabilities	3,645,239,641	5,259,722,296
Non-current liability		
Debentures.....	3,255,369,705	4,990,614,183
Net assets	<u>389,869,936</u>	<u>269,108,113</u>

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider the following risk factors, along with the other matters set out in this Offering Circular. PRC laws and regulations may differ from the laws and regulations in other countries. Additional risks not described below or not currently known to the Issuer, the Guarantor or the Company or that the Issuer, the Guarantor or the Company currently deems immaterial may also adversely affect the value of the Notes. The Issuer, the Guarantor and the Company believe that the risk factors described below represent the principal risks inherent in investing in the Notes, but the Issuer, the Guarantor or the Company may not be able to pay interest, principal or other amounts on or in connection with any Notes or to satisfy their obligations under the Guarantee of the Notes, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Account Bank Agreement for reasons which the Issuer, the Guarantor or the Company may not consider as significant risks based on information currently available to them, which the Issuer, the Guarantor or the Company may not currently be able to anticipate or which the Issuer, the Guarantor or the Company may currently deem immaterial. All of these factors are contingencies which may or may not occur and the Issuer, the Guarantor and the Company are not in a position to express a view on the likelihood of any such contingency occurring.

None of the Issuer, the Guarantor or the Company represents that the statements below regarding the risk factors of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP'S BUSINESS AND THE GROUP

The Group's exposures in certain industry sectors which could be adversely affected by downturns in the economy and any failure to pay the principal and investment returns to the investors under any trust plans as scheduled may materially and adversely affect the Group's reputation.

The Group's business and results of operation is dependent on the economic and market conditions. The Group provides various trust plans for its institutional and retail clients to invest in various industry sectors, including real estate, public infrastructure, financial services and other commercial and industrial enterprises. In the event of a downturn and slowdown in any of these industries, the Group's trust plans may not be able to collect the principal and/or expected investment returns on its trust plans. In addition, changes in the economic and market conditions may materially and adversely affect the Group's business, results of operations, financial conditions and prospects.

The real estate industry has experienced a downward cycle in recent times with the general slowdown of the PRC economy, rising financing costs and oversupply. As a result, real estate trusts are facing higher costs and increased difficulties in raising funds which has adversely impacted the growth in volume of such trusts and may cause a decline in the growth of the Group's trust business in real estate. In addition, the expansion of business by other financial institutions in the PRC such as insurance firms and fund management companies in to real estate financing has intensified the competitive environment. This has put further pressure on the profit margin of the Group's real estate trusts. For the above reasons, the Group has intentionally reduced its exposure to the real estate industry. The AUM of the Group's real estate financing business has reduced from RMB74,407 million as at 31 December 2014 to RMB44,307 million as at 31 December 2017, a reduction of 40.45 per cent. As a result, the Group's fee revenue relating to real estate business has reduced. This reduction may materially and adversely affect the Group's financial performance.

The Group also operates in other industry sectors that are susceptible to changes in economic and market conditions and the general slowdown of the economy, including public infrastructure, financial services and other commercial and industrial enterprises.

In addition, the Group's private financing business includes cooperation with local governments to offer investments in local projects. In September 2014, the State Council published the Opinions on Strengthening the Administration of Local Government Debts ([2014] No. 43) (the "**Opinions**") which clarified the responsibilities of debtors and creditors in local government projects. One of the implications of the Opinions is that because the current cooperative projects with local governments are undertaken pursuant to the public-private partnership model, after 31 December 2014, it would be difficult for new indebtedness taken on by local governments to be counted as government debt which would be supported by the national budget. Based on the Opinions, the State Council also promulgated the Plan on Emergency Disposal of Risks associated with Local Government Debts (Gue Ban Han [2016] No. 88) later in October 2016 and the PRC

Ministry of Finance accordingly promulgated the Circular on Further Regulating the Borrowing and Financing Behaviors of Local Government (Cai Yu [2017] No. 50) in April 2017 and the Circular on Improving the Administration of Local Government Debts in 2018 (Cai Yu [2018] No. 34) in February 2018 respectively, which further strengthened the administration and regulation of local government debts. This in turn adversely impacts the confidence of investors in such projects and consequently the development of new government cooperation projects.

The Group's trust business is susceptible to the credit risks associated with counterparties. Counterparties' failure to make payments or perform their obligations could have a material adverse effect on the trust plan's ability to make payments when due to investors. While the Group has certain obligations to fulfil its duties of effective management as trustee of the trust plan, the Group does not promise investors the profitability of its trust plans or guarantee against the loss of any principal amount invested. Nonetheless, if the Group's trust plans fail to pay the principal and expected investment returns to investors when due, the reputation of the Group will be damaged and confidence as well as sentiment of investors towards the Group's existing and future trust plans will be affected, which is likely to adversely affect the results of the Group's prospects and financial conditions.

Volatility in the PRC securities markets and the related Government policy or regulatory response may affect investor confidence, impose new regulatory requirements and adversely affect the Group's financial performance and business.

Investor confidence in trust plans in the PRC is highly dependent on the market and economic conditions of the PRC. As the PRC capital markets continue to develop, market conditions have experienced and may continue to experience sudden and dramatic changes. Unfavourable global economic and market conditions may also have an adverse effect on the PRC capital markets. Unfavourable or uncertain market and economic conditions could adversely affect investor confidence, resulting in a decline in investors who are willing to invest in trust plans, which could adversely affect the Group's business.

Adverse changes in the PRC's market conditions could adversely affect the Group's business, results of operations, financial condition and prospects. In July 2015, CSRC promulgated the Opinions on Rectification of Illegal Securities Business Activities (CSRC Announcement No. 19 [2015]) which clarified that so-called "umbrella investment trusts" are not allowed. This has led to a gradual dismantling of all "umbrella investment trusts" set up by PRC trust companies, including many set up by the Group, in the second half of 2015. Such dismantling would lead to a significant decrease in revenue from the Group's securities investment business.

In May 2017, the CBRC promulgated the Various Provisions on Shareholders, Directors and Supervisors of Listed Companies reducing Shareholdings (CSRC Announcement No. 9 [2017]) which placed further restrictions on capital reductions or exit of shareholding. This has increased the time required for the Group to exit from its investments.

In December 2017, the CBRC issued the "Notice on Regulating Bank and Trust Businesses" (Yin Jian Fa (2017) No.55), which placed further restriction on bank and trust companies in conducting co-operations. The Group expects that revenue from its bank and trust co-operation may be reduced as a result.

In April 2018, the four ministries of the PRC government, including the PBOC and the CBIRC jointly issued the Guidelines on Regulating the Asset Management Business of Financial Institutions (Yin Fa [2018] No. 106) which placed further restrictions prohibiting any form of guarantee on investment returns and requires implementation of net-value management system. The increased regulation may place further challenges on the Group's business.

The Group expects the market uncertainties in the PRC to remain. During periods of poor economic or market conditions, the Group may experience a decline in the value of its managed assets, reduced opportunities to exit and realise value from its private equity investments and increased client redemptions, which could have an adverse effect on the fee income from the Group's trust business and investment gains from its proprietary investments. In addition, the Group's private financing business may not be able to identify and consummate suitable investments during periods of unfavourable or uncertain economic and market conditions, which could have an adverse effect on the Group's ability to raise new funds. Any of the foregoing occurrences could adversely affect the Group's business, results of operations, financial condition and prospects.

Some trust companies in the PRC may have offered bail-outs for investors in their trust plans and these actions may affect investors' expectations generally.

In 2014, there have been reports that a trust company in the PRC may have been involved in bail-outs of investors in their trust plan. When the trust plan was facing difficulties repaying investors, an unidentified buyer offered holders of the trust plan the right to transfer their rights in the trust for an amount equal to the product's face value. It has been reported that the trust company who sold the trust plan to investors may have been involved in the repayment of principal to investors. Even though trust companies in the PRC generally do not promise investors the profitability of its trust plans or guarantee against the loss of any principal amount invested, reports of such bail-outs may alter investor's perception of the industry practice. The Group has taken steps to clearly disclose in its contracts with investors that the Group does not promise investors the profitability of its trust plans or guarantee against the loss of any principal amount invested. However, there is no assurance that the actions of some trust companies would not affect the expectations of the investors. If customers invest in the Group's trust plans with the expectation that the Group would also bailout its investors in similar situations, and if the Group does not offer such bail-outs, then investor sentiments towards the Group may be adversely affected. Such events may materially and adversely affect the Group's prospects, results of operations and financial condition.

In April 2018, the four ministries of the PRC government, including the PBOC and the CBIRC jointly issued the Guidelines on Regulating the Asset Management Business of Financial Institutions (Yin Fa [2018] No. 106), which placed further restrictions prohibiting any form of guarantee on investment returns. Any form of guaranteed payments against investor losses will be investigated by regulators. Investor bail outs may slowly be phased-out amongst the PRC trust companies.

There is no assurance that there will be no change to the shareholding structure of the Company.

Since its establishment in 1987, there have been several changes to the Company's shareholders and although the Company is currently indirectly majority-owned by the PRC government controlled state-owned enterprises, there is no assurance that this will continue. When the Company was incorporated in 1987 as Harbin International Trust Investment Co., Ltd., its shareholders were State-owned Assets Supervision and Administration Commission of Harbin province ("**SASAC of Harbin**") and Hacı Company Limited. In 2004, the Company completed two equity transfer deals and the original shareholders transferred their stakes to Harbin Economic Development and Investment Company and Zhongzhi Enterprise Group Co., Ltd. Then in 2010, Jingwei Textile acquired 36 per cent. of the Company from Zhongzhi Enterprise Group Co., Ltd. and became the Company's largest shareholder. Since 2010, Jingwei Textile has injected RMB2,813 million into the Company. As at 31 December 2017, Jingwei Textile holds 37.5 per cent. of the Company's equity.

On 12 March 2018, Jingwei Textile proposed to acquire approximately 33 per cent. of the shareholding in the Company from Zhongzhi Group, the second-largest shareholder, in a stock plus cash funded acquisition. If the proposed transaction goes ahead, Jingwei Textile will remain the largest shareholder in the Company with an increased shareholding of 70.5 per cent. in the Company.

The Company does not have control over its shareholders who may transfer their stake to another party and cannot provide any guarantee or assurance that its current key shareholders will remain the same. In addition, the Company from time to time considers a range of available financing options, including equity injections from third parties.

The Group's trust business in the PRC faces severe competition for investor funds and projects from other players in the financial services industry in the PRC.

The Group's trust business primarily operates in the PRC, where competition for investor funds and projects is intense, not just from other trust companies but also from other players in the financial services industry. In particular, banks, securities companies and funds companies have been increasing their wealth management capabilities and offering products similar to trust plans to investors. The high yield bond market was launched in 2012 on the Shanghai Stock Exchange with bonds offering rates competitive with that of trust plans.

The Group also competes with both local and international companies in respect of its trusts, securities investments, asset management, alternative asset management, private equity and wealth management businesses. The Group competes with these competitors in terms of brand recognition, marketing and

distribution capability, service quality, financial strength, pricing and the range of products and services offered. With the intensifying market competition, competitors may reduce their prices to improve their market share, which may compel the Group to further reduce its fees and commission to remain competitive.

Some of the Group's competitors may have certain competitive advantages over the Group which enable them to have better access to potential clients and capital resources than the Group, including greater financial resources, stronger brand recognition, a broader range of products and services, more extensive operating experience, higher market share and a more extensive distribution network, business relationships, and/or a longer operational track record in the relevant geographic markets. In addition, in 2010, under the Measures for the Administration of Net Capital of Trust Companies, the CBRC introduced capital requirements for trust companies stipulating that all trust companies must maintain a minimum net capital of RMB200 million and maintain a ratio of no less than 40 per cent. of net capital to net assets. This makes it harder for trust companies in the PRC to compete with competitors such as securities companies which have a lower cost of capital compared to trust companies and can pass on such discounts in their products and plans to clients.

There is no assurance that the Group can compete effectively against its current and future competitors, or that competitive forces in the market will not alter the industry landscape such that the Group's business objectives would become impractical or impossible.

A significant decline in the size of the assets under management or poor management performance may materially and adversely affect the Group's operations.

The Group receives fees based on the value of its customer portfolios or investments in funds and trusts managed by it. The Group's ability to raise funds for its trust plans depends on a number of factors, many of which are beyond the Group's control. Poor performance of the Group's trust plans or asset management plans could also make it more difficult for the Group to raise new capital. To the extent that economic and market conditions deteriorate, the Group may be unable to raise sufficient funds to support the investment activities of its trust plans or asset management plans. If the Group fails to raise funds, the financial condition and results of operations of its trust plans or asset management plans could be materially and adversely affected, which may, as a result, adversely affect the results of the Group's business operations.

In addition, investment performance affects the Group's assets under management and is one of the most important factors in retaining clients and competing for new business. Market volatility and limitations in investment options and hedging strategies in the PRC could limit the Group's ability to provide stable returns for its clients and cause it to lose clients. Further market volatility, adverse economic conditions or the failure to out-perform competitors or the market may reduce the size of the assets under the Group's management or affect the performance of the funds or trusts it manages. Upon occurrence of any of the above circumstances, existing investors might divert their future investments away from the Group in favour of better performing products provided by competitors; clients may request that the Group lower its fees for asset management services in an intensely competitive industry; the Group's incentive fees, which are based on the investment returns, could decline; and firms and financial institutions with which the Group has co-operations may terminate their relationships with the Group, and future strategic alliances may be unavailable. In addition, the Group may not be able to keep or increase its assets under management. Any of the above circumstances may adversely affect the results of the Group's business operations.

The Group may have limited control over the projects and companies in which its trust plans invest.

The Group has set up specialised project management departments to monitor its investment projects as part of its risk management measures. For example, the Company has six functional departments with risk management responsibilities responsible for research, investigation, analysis and monitoring of the risk elements involved in its investment projects.

However, there is no assurance that the Group will have complete control over the companies and projects in which its trust plans or asset management plans invest. The Group may not be able to influence the business, financial or management decisions of those companies or projects, which could result in the Group not being able to achieve the expected investment return. If the Group cannot achieve the expected investment return on its trust plans, the reputation of the Group will be damaged and confidence and sentiment of investors will be affected. As a result, the Group's business, financial condition and results of operations could be materially and adversely affected.

As the Group does not participate in the daily management of the companies and projects in which the Group's trust plans have investments, it may not be aware of issues arising from their daily operations and legal compliance. Even if the Group is aware of such issues, it may not be able to cause such enterprises to resolve the issues due to its limited influence on them. Therefore, certain issues arising from the daily operations and legal compliance of these companies may materially and adversely affect the Group's business, financial condition and results of operations.

The Group's proprietary investment operations are subject to market volatility and its investment decisions and the Group may adjust its portfolio position from time to time.

The Group, including the Guarantor, invests and trades in equity and fixed income securities both within and outside the PRC, all of which are subject to market volatility. The performance of the Group's proprietary investment and trading business is determined by its investment decisions and judgments based on its assessment of existing and future market conditions. The Group's investment decisions are a matter of judgment, which involves management discretion and assumptions, which may not be correct as market conditions change quickly, and its decision-making process may fail to effectively minimise losses, capture gains, or conform to actual changes in market conditions. In addition, the value of certain assets of the Group, including those of the Guarantor, such as available-for-sale securities and financial assets, are subject to price fluctuations as a result of changes in the financial market's assessment of the relevant issuer's business prospects, credit worthiness and other factors. The decline in the value of such assets can result in the recognition of impairment losses of the Group. In addition, in accordance with its risk management policies, the Group may adjust its portfolio position, including divestment and disposal of investment assets, as and when opportunities arise, which could result in investment losses.

Therefore, volatility in securities markets may have an adverse affect on the Group's business, results of operation, financial condition and prospects, including those of the Guarantor Group.

The Group is exposed to liquidity risk.

The Group satisfies its liquidity requirements mainly through cash generated from operations and trading in financial assets. The Group also receives cash from capital injection from its shareholders, and net proceeds from the issuance of the Notes will be re-invested in the Group. Any decline in the Group's liquidity level may impair the confidence of its customers or counterparties, which may result in loss of business and/or customers.

Factors which may adversely affect the Group's liquidity level include unfavourable changes to the macroeconomic environment, policies or money markets, the Group's failure to maintain current and future financing arrangements on commercially acceptable terms, decreases in recovery of cash from disposal of assets due to unfavourable changes of capital markets, failure to realise the value of invested financial assets at a reasonable price, concentrated holding of certain assets or asset categories, mismatching of assets and liabilities maturity, tightened regulatory requirement, other changes in regulations or weakened market and customer sentiments. If the Group is unable to generate sufficient cash from operating activities to meet its liquidity needs, the Group would be required to seek external financing.

There is no assurance that any additional financing will be available to it on acceptable terms, if at all. This risk is exacerbated by the volatility that the global credit markets have experienced. To the extent that additional financing is proved to be unavailable when needed for a particular investment or acquisition, the Group may be compelled to either restructure the transaction or abandon the investment or acquisition plan. In addition, if the Group acquires or invests in another company, the company it acquires or invests in may require additional financing to fund continuing operations and/or growth. Furthermore, the Group's subsidiaries or branches may request support from the Group to meet their liquidity requirements during their ordinary course of business. There is no assurance that the Group will always be able to provide sufficient funds to its subsidiaries on a timely basis, if at all. The occurrence of any of the above-mentioned circumstances could materially and adversely affect the Group's financial condition and results of operations.

The complexity of its operations and products exposes the Group to operating, marketing and other risks, and the Group's risk management and internal control systems may be ineffective or inadequate.

The Group has established risk management and internal control systems and procedures to manage potential risks associated with the broad range of financial services and products it offers. The risk management and internal control systems may require constant monitoring, maintenance and continual improvements by its

senior management and staff. If the Group's efforts to maintain these systems are ineffective or inadequate, the Group may face operating, marketing and other risks. Deficiencies in the Group's risk management and internal control systems and procedures may affect its ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as affect its ability to identify any reporting errors and non-compliance with rules and regulations.

The Group's risk management and internal control systems and procedures may contain inherent limitation caused by misjudgment, fault or the Group's limited experience or resources in making accurate, complete, up-to-date or proper evaluations. In particular, the Group devises risk managing procedures based on observed historical market behaviour and the Group's experience. However, in markets that are rapidly developing, the information and experience data that the Group relies on for its risk management methods may become quickly outdated as markets and regulations continue to evolve.

Furthermore, the Group may not have sufficient access to resources and trading counterparties to implement its trading and investment risk mitigation strategies and techniques effectively. If the Group's decision making process fails to effectively minimise losses while capturing gains, it may materially and adversely affect the Group's financial performance.

In July 2015, the Shanghai Stock Exchange took disciplinary action against the Company by suspending the trading account of the Company from 31 July 2015 to 30 October 2015. The cause of the disciplinary action was the failure of the Group's quantitative hedging programme to execute sell orders due to the fall in price of a large number of stocks on the Shanghai Stock Exchange on 8 July 2015. The system tried to execute sell orders on stocks in accordance with the investment advisor's strategy but because the stock in question had reached the daily volatility limit imposed by the stock exchange, the sell orders could not be executed. The system repeatedly tried to execute sell orders by cancelling existing orders and placing new orders. The frequent cancelling of orders was deemed by the Shanghai Stock Exchange as abnormal trading behaviour. Hence, the Shanghai Stock Exchange imposed the disciplinary action against the Company. The particular investment product in question has been redeemed, with money returned to investors. The Shanghai Stock Exchange also took disciplinary action against the investment advisory firm. After the event, the Company has taken steps to mitigate the risk of similar errors with each of its investment advisors.

As a result, there is no assurance that the Group's risk management and internal control systems are adequate or effective, and any failure to address any internal control matters and other deficiencies could result in investigations and disciplinary actions or even prosecution being taken against the Group or its employees, or disruption to its risk management systems, which may have a material and adverse effect on its financial condition and results of operations.

There can be no assurance that the Group's due diligence investigations will identify every matter that could have a material adverse effect on the Group.

The Group intends to conduct extensive business, financial and legal due diligence in connection with its operations, in particular, for potential acquisition and investment opportunities. However, there can be no assurance that the Group's due diligence investigations will identify every matter that could have a material adverse effect on the acquisition or investment targets. As a result, the Group may fail to identify the existing risks in relation to the business and operations of investment targets through its due diligence. To the extent that any of the above mentioned issues arise, the business and operations of the investment target could be adversely affected, which in turn could have material and adverse effects on the Group's financial condition and results of operations.

The Group's expansions or acquisitions may not be successful.

The Group may expand through acquisition of entities offering financial services or products complementing its own business operations. In addition, the Group has intentions to expand its business outside the PRC and Hong Kong if suitable investment opportunities arise. The Group may enter into joint ventures with local business partners in these countries or the Group may identify and acquire suitable targets in line with its development strategy. There is no assurance that the Group will be able to identify suitable acquisition or expansion opportunities, negotiate acceptable terms or successfully acquire identified targets or successfully complete joint venture projects. It is anticipated that the investigation of an acquisition or investment plan and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial time and attention from management and substantial costs for accountants, attorneys and other advisers. If such expansion, acquisition or investment plan is not implemented, the costs incurred

up to that point for the proposed transaction may not be recoverable. Furthermore, even if an agreement is reached relating to a specific acquisition or investment target, the Group may not implement the investment or acquisition plan for many reasons beyond its control. For example, the process of integrating an acquired business may involve unforeseen costs and delays or other operational, technical and financial difficulties that may require a disproportionate amount of management attention and financial and other resources. The failure to achieve consolidation savings, realise the expected synergies, successfully incorporate the acquired businesses and assets into the Group's existing operations or minimise any unforeseen operational difficulties could have a material adverse effect on its financial condition and results of operations.

The Group is subject to extensive regulatory requirements, the non-compliance of which would materially and adversely affect the Group's financial condition and results of operations.

The Group is subject to extensive laws, policy and regulatory requirements issued by the relevant governmental authorities in the PRC and overseas (including Hong Kong). In particular, as a non-bank financial institution in the PRC, the Company is subject to supervision of various authorities, including the CBIRC. These regulatory authorities promulgate requirements governing the Group's business in various aspects, such as capital adequacy, anti-money laundering, entry into certain markets, pre-filing of trust plans and requirements of other types. Compliance with applicable laws, rules and regulations may restrict the Group's business activities and require it to incur increased expense, restate or write down the value of its assets or liabilities, and to devote considerable time to such compliance efforts.

In addition to laws, rules and regulations, the regulatory authorities may also issue various policies and guidance from time to time. For example, the CBRC promulgated the Opinions on Further Strengthening the Risk Supervision of Trust Companies (關於進一步加強信託公司風險監管工作的意見) in 2016 and expressed again on different occasions their determination to strengthen risk supervision of the trust industry in 2017. PBOC, CBIRC, CSRC and SAFE also jointly promulgated the Guiding Opinions to Standardize Assets Management Business of Financial Institutions (關於規範金融機構資產管理業務的指導意見) at the end of April 2018, providing a uniform set of standards for regulating similar assets management products of different types of financial institutions, effectively control financial risks and better serve the real economy. The regulatory authorities encourage trust companies to actively reduce their trust business that serves merely as channels, shorten the links between fund suppliers and users, and deleverage their business so as to ensure that the comprehensive risk of the trust industry is under control. The regulatory authorities also encourage trust companies to maintain their fundamental role as a provider of trustee services, enhance their research and innovation efforts with respect to their actively managed trust business, and provide more targeted and high value added financial services to the real economy. While these policies and guidance may not have the force of law, the Group is expected to continue to follow them in its business operation and therefore the Group's business, financial condition and results of operations may be significantly affected by such policies and guidance.

In addition, pursuant to applicable laws and regulations in the PRC, the Group is required to obtain or renew approvals, permits and licences with respect to its relevant operations. There is no assurance that the Group can obtain or renew all necessary approvals, permits and licences on a timely basis. Noncompliance with relevant laws and regulations or failure to obtain the relevant approvals could subject the Group to sanctions, fines, penalties, revocation of licence or other punitive actions, including suspension of the Group's business operations or restriction or prohibition on certain business activities. Furthermore, relevant government authorities may adopt new laws and regulations, or amend the interpretation or enforcement of existing laws and regulations, or promulgate stricter laws and regulations, all of which may materially and adversely affect the Group's financial condition and results of operations.

As PRC did not have a trust registration system until recently, trust assets may not be sufficiently protected, which could reduce clients' confidence in the trust arrangements.

PRC did not formally establish a system for trust registration until 2017. While PRC established a trust registration system in September 2017 under the Measures for the Administration of Trust (信託登記管理辦法) newly promulgated by CBIRC, the trust plans that were established prior to the launch of such system and the terms of which would expire before 30 June 2018 (inclusive) are not required to be registered. As such, even though the PRC Trust Law has provided that the trust assets are separate from trustor's own assets as well as trustee's proprietary assets, and that trust assets will be treated separately in the event of a bankruptcy of or lawsuit against the trustor/trustee, there may not be adequate legal protection for those trust assets which are not registered in the system. Disputes may arise as to the status of those assets, and courts could be unable to decide whether those assets have been entrusted into a trust as there is no public record for such

entrustment. If those assets which the trustor believes to be trust assets fail to be recognized as such by the court, these assets may not be able to enjoy the benefits of being treated as separate assets, and could be accessed by the creditors or subject to compulsory enforcement by the court. The ability to separate and shield trust assets from the trustors and their creditors is one of the most significant advantages of trust arrangements. Any deficiency in legal protection of trust assets may cause clients to lose confidence in the advantage of the trust arrangement. As a result, the Group's trust business may experience less popularity and decrease in client numbers, which would have an adverse effect on the Group's operations and financial condition.

Significant interest rate fluctuations could affect the Group's financial condition and results of operations.

The Group's exposure to interest rate risk is primarily associated with its financial assets. The Group earns income from financial assets such as bank deposits and money market funds held under resale agreements and margin financing and securities lending business. Interest income from these sources is generally linked to the prevailing market interest rates. During periods of declining interest rates, the Group's interest income would generally decrease. Significant interest rate fluctuations could reduce the Group's interest income or returns on fixed income investments.

The Group faces risks associated with its business expansion and expanding its business into markets outside the PRC.

The Group is committed to providing new products and services to enhance its business competitiveness and will continue to expand the financial products and services it offers according to the relevant laws and regulations, develop new customers and enter into new markets. At the same time, the Group is also committed to adapt to any changes in the market, and if necessary, terminate or replace unprofitable business lines or products.

These activities expose the Group to new and potentially increasingly challenging risks, including, but not limited to:

- insufficient experience or expertise in offering new products and services and dealing with new counterparties and customers;
- loss of existing customers;
- greater regulatory scrutiny, increased credit risks, market risks and operational risks including the impact on the Group's capital;
- potential impacts on the investment return of the Group's services due to the overall economic conditions;
- reputational concerns arising from dealing with less sophisticated counterparties and customers;
- inadequate levels of service for its new products and services;
- failure to hire additional qualified personnel to support the offering of a broader range of products and services;
- failure to successfully integrate existing staff into new lines of business;
- unwillingness to accept the new products and services by the Group's customers or failure to meet its profitability expectations;
- failure to obtain sufficient financing from internal and external sources to support its business expansion; and
- unsuccessful enhancement of its risk management capabilities and IT systems to identify and mitigate all the risks associated with these new products and services, new customers and new markets.

If the Group is unable to achieve the intended commercial results with respect to its offering of new products and services, its business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, the Group intends to continue to expand its operations beyond the PRC. During the course of this expansion, the Group plans to continue to explore markets where it has limited or no experience. The Group's inexperience in such markets could affect its ability to attract clients. Additionally, it may fail to address adequately competitive conditions in new markets that differ from those in the Group's existing markets. International expansion also exposes the Group to the risks inherent in conducting business internationally, including but not limited to:

- economic instability and recession;
- political instability;
- failure to comply with approval or licence requirements;
- failure to comply with foreign laws and regulatory requirements;
- inability to effectively mitigate contractual or legal risk;
- adverse tax consequences;
- fluctuations in currency exchange rates;
- changes in tariffs;
- increased risk of exposure to terrorist activities;
- difficulties in providing products, services and support in these overseas markets;
- difficulties in managing its sales channels and overseas distribution network effectively;
- differences in accounting treatment in different jurisdictions;
- limited protection for intellectual property rights;
- difficulties in recruiting, training and retaining qualified personnel; and
- general difficulties in administering foreign operations.

In particular, despite the Group's efforts to comply with all applicable regulatory requirements, it may fail to do so. In the event of non-compliance with the applicable local law and regulations, the Group may be subject to regulatory and administrative investigation or penalties, which will increase the cost of compliance and integration of the Group's internal control system to any business outside the PRC.

The Group relies heavily on information technology systems to process and record its transactions and offer online products and services, the failure of which may adversely affect the Group's reputation and business.

The Group's business operation relies heavily on the ability of its information technology systems to store and analyse a large amount of information, accurately process a vast number of transactions across numerous and diverse markets and offer services and products in a timely manner. The Group is also reliant on third-party service providers to provide such information technology services that it needs to operate its business from time to time. Disruption to any such information technology system could harm the Group's business and reputation.

Even though the Group has put in place disaster recovery plans for its information technology systems, its systems are still vulnerable to disruptions as a result of various factors, including, without limitation, natural disasters, power failures, computer viruses, spam attacks, human errors and unauthorised access. A prolonged disruption to or failure of the Group's information technology systems would limit its ability to monitor and manage collections, maintain financial and operating controls, monitor and manage its risk exposures across the Group, keep accurate records, provide high-quality customer service and to develop and sell profitable products and services. There is no assurance that the operations of the Group will not be materially disrupted if any of these systems fail.

The Group may not be able to fully detect money laundering and other illegal or improper activities in its business operations on a timely basis.

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC and overseas. The PRC's anti-money laundering law requires financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group to, among other things, establish a customer identification system in accordance with relevant rules, record the details of customer activities and report suspicious transactions to relevant authorities.

While the Group has adopted policies and procedures aimed at detecting and preventing the use of its business platforms to facilitate money laundering activities and terrorist acts, such policies and procedures in some cases have only been recently adopted and may not completely eliminate instances in which it may be used by other parties to engage in money laundering and other illegal activities. In the event that the Group fails to fully comply with applicable laws and regulations, the relevant government agencies may freeze its assets or impose fines or other penalties on it. There can be no assurance that the Group will not fail to detect money laundering or other illegal or improper activities. Such failure of the Group may affect its business reputation, financial condition and results of operations.

The Group's businesses may be adversely affected if it is unable to hire and retain qualified employees.

The success of the Group's business is dependent to a large extent on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the financial services industry. These key personnel include members of the Group's senior management, experienced investment managers, product development personnel, research analysts, marketing and sales staff and information technology and other operations personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial condition and results of operations. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects. For example, the Group may not be able to hire enough qualified personnel to support its new products and services to remain competitive. In addition, various businesses of the Group are susceptible to operation errors if its employees are tired or incompetent, or make wrong judgments. Furthermore, as the Group expands its business or hires new employees, the employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of any new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected loss to the Group and affect its revenue and financial conditions. If any of the senior management or other key personnel of the Group joins or establishes a competing business, the Group may lose some of its customers, which may have a material adverse effect on its business.

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

The Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject the Group to financial losses and sanctions imposed by governmental authorities, as well as affect its reputation. These misconducts could include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for the Group's customers;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;

- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorised or excessive transactions to the detriment of the Group's customers; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of noncompliance or suspicious transactions in a timely manner if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective.

There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result.

Conflicts of interest are increasing and a failure to appropriately identify and address conflicts of interest could adversely affect the Group's business.

As the Group expands the scope of its business and client base, it is increasingly important for it to address potential conflicts of interest, including situations where its services to a particular client or its own investments or other areas are at conflict, or are perceived to conflict, with the interests of another client, as well as situations where one or more of its businesses have access to material non-public information that may not be shared with another business within the firm and situations where the Group may be a counterparty of an entity with which the Group also has other relationships.

The Group has extensive procedures and controls that are designed to identify and address conflicts of interest, including those designed to prevent the improper sharing of information among its businesses. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and the Group's reputation could be damaged and the willingness of clients to enter into transactions with the Group may be adversely affected if the Group fails, or appears to fail, to identify, disclose and deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions against the Group.

Litigation and regulatory investigations and the resulting sanctions or penalties may adversely affect the Group's reputation, business, results of operations and financial condition.

The Group is exposed to risks associated with litigations relating to its operations, including the risk of lawsuits and other legal actions relating to information disclosure, financial products design, sales practises, fraud and misconduct, as well as protection of personal and confidential information of customers. The Group may be subject to arbitration claims and lawsuits in the ordinary course of its business. The Group may also be subject to inquiries, investigations, and proceedings by regulatory and other governmental agencies actions brought against it, which may result in settlements, injunctions, fines, penalties or other results adverse to it that could harm its reputation. Even if the Group is successful in defending itself against these actions, the costs of such defence may be significant. In addition, the Group may be subject to regulatory actions from time to time. A substantial legal liability or a significant regulatory action could have a material and adverse effect on the Group's operations, reputation and business prospects.

There is no assurance that the number of legal claims and amount of damages sought in litigation and regulatory proceedings may not increase in the future. A significant judgment or regulatory action against the Group or a disruption in its business arising from adverse adjudications in proceedings against its directors, officers or employees would have a material adverse effect on its liquidity, business, financial condition, results of operations and prospects.

Catastrophic events, which are unpredictable by nature, could materially and adversely affect the profitability of the Group.

The Group's businesses expose it to risks arising out of catastrophic events, which are unpredictable by nature. Catastrophes can be caused by various natural hazards, including hurricanes, typhoons, floods, earthquakes, severe weather, fires and explosions. Catastrophes can also be artificially induced, such as terrorist attacks, wars and industrial or engineering accidents. In addition, a health epidemic or pandemic such as severe acute respiratory syndrome (or SARS), the H5N1 strain of bird flu (or avian flu), the H1N1 strain

of influenza A and Ebola virus outbreak can adversely affect the Group's business. The occurrence of these events may increase the cost of doing business, adversely affect the Group's operations or those of its clients, or result in losses in the Group's investment portfolios, due to, among other things, the failure of its counterparties to perform or significant volatility or disruption in financial markets, all of which may in turn adversely affect the Group's business, financial condition, results of operations and prospects.

The Group faces risks in relation to its operating licences.

The Company's operating licences allow it to operate as a trust company. However, if regulatory policies are amended in the future, or the permitted business scope of financial institutions is amended or expanded, the Company may not be able to obtain new operating licences in a timely manner, which may adversely affect its competitiveness. Furthermore, in order to obtain new operating licences, the Group may need to increase investments in research and development, operation management and infrastructures, which may in turn increase its operating costs.

The Group may from time to time experience high staff turnover, departures from its senior management or have difficulties in retaining and recruiting personnel.

The success of the Group's business is to a large extent dependent on its senior management and staff. For the year ended 31 December 2017, the Company experienced a turnover of 22 per cent. of its staff members. There are two main reasons for the turnover of staff. First, because the Group has decided to focus on actively managed business, asset management and wealth management, some staff members who prefer to work within the transaction management business have decided to go to other trust companies, banks and asset management departments of securities brokers who have not yet transformed their business model. Second, the Group has a set of strict performance criteria for its product sales staff, resulting in those not meeting the required performance criteria to leave the Group.

The Group may from time to time experience departures from staff members and senior management. The Group may also have difficulties in attracting and retaining key personnel who possess in-depth knowledge and understanding of the industry. These key personnel include members of the Group's senior management, experienced investment managers, product development personnel, research analysts, marketing and sales staff and information technology and other operations personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial condition and results of operations. Further, from time to time, certain key senior management members or board members may for personal or professional reasons notify and elect to depart from the Group. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects. For example, the Group may not be able to hire enough qualified personnel to support its new products and services to remain competitive.

In addition, various businesses of the Group are susceptible to operation errors if its employees are tired or incompetent, or make wrong judgments. Furthermore, as the Group expands its business or hires new employees, the employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of any new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected loss to the Group and affect its revenue and financial conditions. If any of the senior management or other key personnel of the Group joins or establishes a competing business, the Group may lose some of its customers, which may have a material adverse effect on its business.

RISKS RELATING TO THE PRC

PRC economic, political and social conditions as well as government policies could adversely affect the Group's business.

The PRC economy differs from the economies of most developed countries in many respects, including its structure, amount of government involvement, level of development, economic growth rate, control of foreign exchange, policies and restrictions on capital reinvestment, rate of inflation, trade balance position and allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that any such reforms will not have an adverse effect on the Group's business.

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

Under the new Enterprise Income Tax law (the "New EIT Law"), the overseas entities of the Company, such as the Issuer and the Guarantor, may be treated as a PRC resident enterprise for PRC tax purposes, which will subject it to PRC enterprise income tax on its worldwide income and the Issuer or the Guarantor will be obliged to withhold taxes on the interest paid on the Notes.

Under the PRC Enterprise Income Tax Law and its Implementing Regulation which became effective on 1 January 2008, enterprises organised under the laws of jurisdictions outside the PRC with their de facto management bodies located within the PRC is deemed to be a "resident enterprise", meaning that it can be treated in a manner similar to a PRC enterprise for enterprise income tax purposes, and therefore subject to PRC enterprise income tax at the rate of 25 per cent. on their worldwide income, although dividends paid from one resident to another may qualify as "tax-exempt income". The Implementing Regulation defines the term "de facto management body" as a management body that exercises substantial and overall control and management over the production and operations, personnel, accounting and properties of an enterprise. A circular issued by the State Administration of Taxation on 22 April 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with a "de facto management body" located within the PRC if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decision are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meeting are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within the PRC. The State Administration of Taxation issued a circular, which became effective on 1 September 2011, and which provides that a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a "resident enterprise" by the final decision of the State Administration of Taxation through the application of the foreign enterprise or the investigation of the relevant tax authorities.

As at 31 March 2018, both the Issuer and the Guarantor confirm that they have not been treated as a PRC resident enterprise by the PRC tax authorities. There is however no assurance that the Issuer, the Guarantor or other overseas entities of the Company will not be treated as "resident enterprises" under the New EIT Law, any aforesaid circulars or any amended regulations in the future. If such entities are treated as PRC resident enterprises for enterprise income tax purpose, among other things, they would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide income. Furthermore, the Issuer or the Guarantor, being an overseas entity of the Company, would be obligated to withhold PRC enterprise income tax at generally 10 per cent. on payment of interest on the Notes to foreign enterprise investors or withhold PRC individual income tax at generally 20 per cent. on payment of interest on the Notes to foreign individual investors, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a preferential withholding tax treatment. Similarly, any gain realised on the transfer of the Notes

by such foreign investors is also subject to (i) a 10 per cent. (or lower treaty rate, if any) PRC enterprise income tax for foreign enterprise investors or (ii) a 20 per cent. (or lower treaty rate, if any) PRC individual income tax for foreign individual investors, if such gain is regarded as income derived from sources within the PRC.

Due to uncertainties in the interpretation of certain provisions of the new VAT regime, the issuance of the Notes may be treated as provision of loans within the PRC that is subject to VAT, and Issuer or the Guarantor may be required to withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC.

On 23 March 2016, the PRC Ministry of Finance and the PRC State Administration of Taxation jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (Cai Shui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知(財稅[2016]36號)) (“Circular 36”) which confirms that business tax will be completely replaced by VAT from 1 May 2016. With effect from 1 May 2016, the income derived from the provision of financial services which previously attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon.

It is not clear from the interpretation of Circular 36, if the provision of loans to the Issuer or the Guarantor could be considered as financial services provided within the PRC, which thus could be subject to VAT. Furthermore, there is no assurance that the Issuer, the Guarantor or both will not be treated as PRC tax residents. The PRC tax authorities could take the view that the holders of the Notes are providing loans within the PRC because the Issuer or the Guarantor or both are treated as PRC tax residents. In which case, the issuance of the Notes could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the Issuer, the Guarantor or both are treated as PRC tax residents and if the PRC tax authorities could take the view that the holders of the Notes are providing loans within the PRC, then the holders of the Notes could be regarded as providing financial services within the PRC and consequently, the holders of the Notes shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.7 per cent.. Given that the Issuer or the Guarantor pays interest income to Noteholders who are located outside of the PRC, the Issuer or the Guarantor, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically the Circular 36 does not apply and the Issuer or the Guarantor does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located within the PRC.

The Circular 36 has been issued quite recently and the above disclosure may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of the Circular 36.

As at the date of this Offering Circular, both the Issuer and the Guarantor confirm that they have not been treated as a PRC resident enterprise by the PRC tax authorities. As a result, it is expected that, in practice they will not be required to withhold VAT or local levies from interest payments to Noteholders.

However, there is no assurance that the Issuer or the Guarantor will not be treated as a PRC tax resident enterprise by the PRC tax authorities in the future. Pursuant to the EIT Law, Individual Income Tax Law of the PRC, the Business Tax Laws and the VAT reform detailed above, the Issuer or the Guarantor may need

to withhold EIT or individual income tax, (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC-resident Noteholder and the Issuer or the Guarantor may need to withhold business tax or VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC.

For more information, see “*Terms and Conditions of the Notes — Condition 7 (Taxation)*”. No PRC stamp duty will be imposed on non-PRC Noteholders either upon issuance of the Notes or upon a subsequent transfer of Notes to the extent that the register of holders of the Notes is maintained outside the PRC and the issuance and the sale of the Notes is made outside of the PRC.

Members of the Group are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Company.

The ability of the Company’s subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies. The Group cannot assure that its subsidiaries will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Company to make payments on the Notes. These factors could reduce the payments that the Company receives from its subsidiaries, which would restrict its ability to meet its payment obligations under the Notes.

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

The Group’s core business is conducted in the PRC and substantially all of its operations are located in the PRC, hence its business operations are regulated primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law systems, past court judgments in the PRC have limited precedential value and may be cited only for reference. Furthermore, PRC written statutes often require detailed interpretations by courts and enforcement bodies for their application and enforcement. Since 1979, the PRC government has been committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing business and commercial matters, such as in foreign investment, company organisation and management, commercial transactions, tax and trade. However, as these laws and regulations are still evolving, in view of how the PRC’s financial services industry is still developing, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement, and such uncertainties may have a negative impact on the Group’s business.

The Group’s operations and financial results could be materially and adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). In 2015, after severe fluctuations in the PRC share market, the CSRC promulgated a series of regulatory policy adjustments affecting the Group’s operation in the traditional securities investment business. In another example, the PRC government issued State Council Document No. 43 of 2014 in September 2014 targeted at strengthening the management of local government debts obligations and, amongst other things, restricted the use of local government financing platforms. This signalled the decline of trust investment projects that involve co-operation with local government finance platforms. However, it also provided new opportunities for the Group in terms of public private partnership (“PPP”) projects. Further, the NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issues outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. In the worst case scenario, it might become unlawful for the Company to perform or comply with any of its obligations under the Notes and the Notes might be subject to enforcement as provided in Condition 8 (*Events of Default*) of the Terms and Conditions. Potential investors of the Notes are advised to exercise due caution when making their investment decisions. Similarly, there is no clarity on the legal consequences of noncompliance with the post-issue notification requirement under the NDRC Circular. The Company has undertaken to notify the NDRC of the particulars of the issue of the Notes within the prescribed period under the NDRC Circular.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to holders of the Notes.

Certain PRC regulations governing PRC companies are less developed than those applicable to companies incorporated in more developed countries.

Some members of the Group are established in the PRC and are subject to PRC regulations governing PRC companies. These regulations contain certain provisions that are required to be included in the joint venture contracts, articles of association and other major operational agreements of these PRC companies and are intended to regulate the internal affairs of these companies. These regulations in general, and the provisions for protection of shareholders' rights and access to information in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United States, the United Kingdom and other developed countries or regions.

There can be no assurance of the accuracy or comparability of facts, forecasts and statistics contained in this Offering Circular with respect to the PRC and its economy.

Facts, forecasts and statistics in this Offering Circular relating to the PRC and the PRC's economy, including market share information, are derived from various publicly available sources. However, there can be no assurance as to the quality and reliability of such official source materials. In addition, these facts, forecasts and statistics have not been independently verified by the Issuer, the Guarantor, the Company, the Joint Lead Managers, the Co-Manager, the Financial Advisor, the Trustee, the Agents or their respective advisors and therefore none of the Issuer, the Guarantor, the Company, the Joint Lead Managers, the Co-Manager, the Financial Advisor, the Trustee, the Agents or their respective advisors makes any representation as to the accuracy or fairness of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up to date. Because of possibly flawed or ineffective methodologies underlying the published information or discrepancies between the published information and market practice and other problems, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or be comparable to facts, forecasts or statistics produced for other economies and should not be unduly relied upon.

It may be difficult to effect service of process upon, or to enforce against, the Group or its Directors or senior management who reside in the PRC in connection with judgments obtained in non-PRC courts.

Substantially all of the Group's Directors, Supervisors and executive officers reside within the PRC. Substantially all of its assets and substantially all of the assets of its Directors, Supervisors and executive officers are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, it may not be possible for investors to effect service of process upon it or those persons in the PRC or to enforce against them or it in the PRC, any judgments obtained from non-PRC courts. In addition, recognition and enforcement in the PRC of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

The outbreak, or threatened outbreak, of any severe communicable disease in the PRC could materially and adversely affect the Group's business, financial condition and results of operations.

The outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome or avian influenza) in the PRC could materially and adversely affect the overall business sentiment and environment in the PRC, particularly if such outbreak is inadequately controlled. This could materially and adversely affect domestic consumption, labour supply and possibly the GDP growth of the PRC. The Group's revenue is currently derived mainly from PRC operations and any labour shortages, contraction or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect the Group's business, financial condition and results of operations. In addition, if any of the Group's employees are affected by any severe communicable disease, it could adversely affect or disrupt production levels and operations at the relevant plants and materially and adversely affect the Group's business, financial condition

and results of operations, which may also involve a closure of the Group's facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of the Group's customers and suppliers, which could materially and adversely affect the Group's business, financial condition and results of operations.

RISKS RELATING TO THE NOTES AND THE GUARANTEE OF THE NOTES

The Issuer has no material assets or business activities and its ability to make payments under the Notes will depend on timely payments under on lent loans of the proceeds from the issue of the Notes to the Company or other members of the Group.

The Issuer, a wholly-owned subsidiary of the Guarantor, was established specifically for the purpose of issuing the Notes and will on-lend the net proceeds from the issue of the Notes to the Guarantor, the Company or other members of the Group. The Issuer does not and will not have any material assets other than amounts due to it from the Guarantor, the Company or other members of the Group in respect of such loan, and its ability to make payments under the Notes will depend on its receipt of timely remittance of funds from the Guarantor, the Company or other members of the Group. In the event that the Guarantor, the Company and/or other members of the Group do not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Notes may be adversely affected.

The Guarantor's ability to satisfy its obligations under the Guarantee of the Notes depends on timely remittance of funds from the Company or other members of the Group.

The Guarantor is a wholly-owned offshore subsidiary of the Company, acting as a holding company with no material operations. The Guarantor was incorporated on 12 May 2014. For the year ended 31 December 2015, the Guarantor Group incurred a net loss of RMB55.6 million. However, for the year ended 31 December 2016 and 2017, the Guarantor Group incurred a net profit of RMB13.9 million and RMB69.9 million, respectively. As at 31 December 2015, 2016 and 2017, the Guarantor Group had net assets of RMB19.7 million, RMB269.1 million and RMB389.9 million, respectively.

The net asset position of the Guarantor Group would not be sufficient to meet the claims under the Guarantee of the Notes. Accordingly, the Guarantor's ability to satisfy its obligations under the Guarantee of the Notes will depend upon its receipt of timely remittance of funds from the Company and/or other members of the Group.

The Notes and the Guarantee of the Notes are unsecured obligations.

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

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

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

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

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with a measured appropriate addition of risk to the investor's overall portfolios. A potential investor should not invest in the Notes unless they have the expertise (either alone or with the help of a financial advisor) 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.

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:

- (i) 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 or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) 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;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial advisor) possible economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

An active trading market for the Notes may not develop.

The Notes are a new issue of securities for which there is currently no trading market. No assurance can be given as to the ability of holders to sell their Notes or the price at which holders will be able to sell their Notes or that a liquid market will develop. The liquidity of the Notes will be adversely affected if the Notes are held or allocated to limited investors. None of the Joint Lead Managers the Co-Manager and the Financial Advisor is obligated to make a market in the Notes, and if the Joint Lead Managers do so, they may discontinue such market making activity at any time at their sole discretion. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

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

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

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issues in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

Changes in interest rates may have an adverse effect on the price of the Notes.

The Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Notes, 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, the prices of the Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

As the Notes will carry a fixed interest rate, the trading price of the Notes will consequently vary with the fluctuations in the U.S. dollar interest rates. If the Noteholders propose to sell their Notes before their maturity, they may receive an offer lower than the amount they have invested.

The Issuer may be unable to redeem the Notes.

On certain dates, including but not limited to the occurrence of a Change of Control and at maturity of the Notes, the Issuer may or will be required to redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to redeem the Notes by the Issuer, in such circumstances, would constitute an Event of Default under the Notes, which may also constitute a default under the terms of other indebtedness of the Guarantor, the Company or their respective subsidiaries.

The Notes and the Guarantee of the Notes will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer's and the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Notes and the Guarantee of the Notes will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, whether or not secured. The Notes will not be guaranteed by any of the Issuer's and the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer and the Guarantor is subject to various restrictions under applicable laws. Each of the Issuer's and the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or the Guarantee of the Notes or make any funds available therefore, whether by dividends, loans or other payments. The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor are creditors of that subsidiary). Consequently, the Notes and the Guarantee of the Notes will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer or the Guarantor may in the future acquire or establish.

The Notes and the Guarantee of the Notes are the Issuer's and the Guarantor's unsecured obligations, respectively, and will (i) rank equally in right of payment with all the Issuer's and the Guarantor's other present and future unsubordinated and unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's and the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's and the Guarantor's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's or the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders ratably with all of the Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

The insolvency laws of the British Virgin Islands, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar.

Because the Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and the Company is incorporated under the laws of the PRC, any insolvency proceedings relating to the Issuer, the Guarantor or the Company even if brought in other jurisdictions, would likely involve the British Virgin Islands or PRC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

If the Issuer, the Guarantor or the Company are unable to comply with the restrictions and covenants in their respective debt agreements (if any), there could be a default under the terms of these agreements, which could cause repayment of their respective debt to be accelerated.

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

The ratings may be downgraded or withdrawn.

The Guarantor has a credit rating of “BB-” from S&P and the Company has a credit rating of “BB+” from S&P. The rating represents only the opinions of the rating agency. Rating is not recommendations to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawn at any time. None of the Issuer, the Guarantor and the Company is obligated to inform Noteholders if the rating is lowered or withdrawn. Each rating should be evaluated independently of the other rating. A downgrade or withdrawal of the ratings may materially and adversely affect the market price of the Notes and the Issuer’s ability to access the debt capital markets.

The Notes will be represented by a Global Note Certificate and holders of a beneficial interest in a Global Note Certificate must rely on the procedures of the Clearing Systems.

The Notes will be represented by beneficial interests in a Global Note Certificate. Such Global Note Certificate will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Note Certificate, investors will not be entitled to receive individual Note certificates. The Clearing System will maintain records of the beneficial interests in the Global Note Certificate. While the Notes are represented by the Global Note Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by the Global Note Certificate, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders.

A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of the Clearing System to receive payments under the Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificate.

Holders of beneficial interests in the Global Note 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 Clearing System to appoint appropriate proxies.

The consolidated financial statements of the Group have been prepared and presented in accordance with PRC GAAP, which are different from IFRS in certain respects.

The consolidated financial statements of the Group included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC’s unique circumstances and environment. See “*Summary of Significant*

Differences between PRC GAAP and IFRS” for details. Each investor should consult its own professional advisors for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

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

Where the Trustee is under the provisions of the Trust Deed, the Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking bound to act at the request or direction of the Noteholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security and/or pre-funded to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing. 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 may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding, in breach of the terms of the Trust Deed or the Terms and Conditions 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 holders of the Notes to take such actions directly.

Decisions that may be made on behalf of all holders of the Notes may be adverse to the interests of individual holders of the Notes. Modifications and waivers may be made in respect of the Terms and Conditions, the Account Bank Agreement, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Trust Deed by the Trustee or less than all of the holders of the Notes.

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

The Terms and Conditions provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of the Terms and Conditions, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Account Bank Agreement (except as mentioned in the Trust Deed) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and (ii) any modification (except as mentioned in the Trust Deed) of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Account Bank Agreement which is of a formal, minor or technical nature or is to correct a manifest error and any authorisation or waiver of any proposed breach or breach (except as mentioned in the Trust Deed) of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Account Bank Agreement if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

The Guarantor’s subsidiaries, jointly controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Guarantor.

Following the issue of the Notes, some or all of the proceeds received by the Issuer may be on-lent to the Guarantor to make equity investments in the PRC. As a holding company, the Guarantor will depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, jointly controlled entities and associated companies to satisfy its obligations, including its obligations under the Notes and the Guarantee of the Notes. The ability of the Guarantor’s subsidiaries, jointly controlled entities and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies. The Guarantor cannot assure that its subsidiaries, jointly controlled entities and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. In particular, the Guarantor does not maintain complete control over its jointly controlled entities or associates in which it might hold a minority interest. Further, if any of these companies raises capital by issuing equity securities

to third parties, dividends declared and paid with respect to such shares would not be available to the Guarantor to make payments on the Notes. These factors could reduce the payments that the Guarantor receives from its subsidiaries, jointly controlled entities and associated companies, which would restrict its ability to meet its payment obligations under the Notes and the Guarantee of the Notes.

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

Under the New Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the New Enterprise Income Tax 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 Enterprise Income Tax 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 Mainland China and Hong Kong for the avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

According to Circular 36, with effect from 1 May 2016, VAT is applicable where the entities or individuals provide services within the PRC. VAT is unlikely to be applicable to any transfer of Notes between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Notes, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Noteholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax or VAT 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.

The Notes are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer or the Guarantor as to whether or not payments on the Notes may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions the Issuer or, as the case may be, the Guarantor is required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Notes at any time in the event it has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or by or within the PRC in excess of the applicable rate on 16 June 2016, or any political subdivision or any authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or any political subdivision or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 16 June 2016.

The Issuer may issue additional Notes in the future.

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

A change in English law which governs the Notes may adversely affect the Noteholders.

The Terms and Conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes.

Additional procedures may be required to be taken to bring English law-governed matters or disputes to the Hong Kong courts, and the Noteholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions of the Notes and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law-governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**Arrangement**”), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts.

However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Notes will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder’s ability to initiate a claim outside of Hong Kong will be limited.

RISKS RELATING TO THE KEEPWELL AND LIQUIDITY SUPPORT DEED AND THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING

Neither the Keepwell and Liquidity Support Deed nor the Deed of Equity Interest Purchase Undertaking from the Company is a guarantee of the payment obligations of the Issuer and the Guarantor under the Notes and the Guarantee of the Notes.

The Company will enter into the Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking in connection with the issuance of the Notes. See “Offer Structure — The Keepwell and Liquidity Support Deed”, “Description of the Keepwell and Liquidity Support Deed”, “Offering Structure — The Deed of Equity Interest Purchase Undertaking” and “Description of the Deed of Equity Interest Purchase Undertaking”. Upon a breach of the Keepwell and Liquidity Support Deed or the Deed of Equity Interest Purchase Undertaking, the Trustee may take action against the Company to enforce the provisions of the Keepwell and Liquidity Support Deed or the Deed of Equity Interest Purchase Undertaking. However, none of the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking nor any actions taken by the Company under the Keepwell and Liquidity Support Deed or the Deed of Equity Interest Purchase Undertaking can be deemed as a guarantee by the Company for the payment obligations of the Issuer under the Notes or the Guarantor under the Guarantee of the Notes. Accordingly, pursuant to the terms of the Keepwell and Liquidity Support Deed, the Company will only be obliged to make sufficient funds available to the Issuer and the Guarantor, or in the case of the Deed of Equity Interest Purchase Undertaking, undertake certain specific actions rather than assume the payment obligation as in the case of a guarantee. Furthermore, even if the Company intends to perform their respective obligations under the Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking, depending on the manner in which the Company arrange for sufficient funds to meet the payment obligations of the Issuer under the Notes or the Guarantor under the Guarantee of the Notes, such performance may be subject to obtaining prior consent or approvals from relevant PRC governmental authorities, including PBOC, NDRC, the MOFCOM and SAFE. Although the Company is required to use all reasonable endeavours to obtain any required consents and approvals in order to fulfil its respective obligations under the Keepwell and Liquidity Support Deed, there is no assurance that such consents or approvals will be obtained in a timely manner or at all.

In addition, under the Keepwell and Liquidity Support Deed, the Company will undertake with the Issuer, the Guarantor and the Trustee, among other things, to cause the Issuer and the Guarantor to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Notes, the Guarantee of the Notes and/or the Trust Deed. However, any claim by the Issuer, the Guarantor and/or the Trustee against the Company in relation to the Keepwell and Liquidity Support Deed or the Deed of Equity Interest Purchase undertaking will be effectively subordinated to all existing and future obligations of the subsidiaries of the Company (which do not provide a guarantee in respect of the Notes), particularly the PRC incorporated subsidiaries, and all claims by creditors of such PRC incorporated subsidiaries will have priority to the assets of such entities over the claims of the Issuer, the Guarantor and the Trustee under the Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking.

Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking is subject to approvals of the PRC governmental authorities and certain limitations.

The Company intends to assist the Issuer and the Guarantor to meet their respective obligations under the Notes and the Guarantee of the Notes by entering into the Deed of Equity Interest Purchase Undertaking. Under the Deed of Equity Interest Purchase Undertaking, the Company agrees to purchase, upon receipt of a written purchase notice provided by the Trustee following an Event of Default, from any of the Issuer, the Guarantor and/or any other subsidiary of the Company incorporated outside the PRC as designated by the Company or in the absence of a designation, all the subsidiaries of the Company incorporated outside the PRC (each, a “Relevant Transferor”) the equity interest held by it or indirectly held subsidiaries of the Company (the “Purchase”) at a purchase price not lower than the amount sufficient to enable the Issuer and the Guarantor to discharge in full their respective obligations under the Notes, the Guarantee of the Notes and/or the Trust Deed.

Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking is subject to the approval of or registration with the following PRC governmental authorities or their respective local counterparts (as the case may be):

- PBOC;
- MOFCOM;
- NDRC;
- CBIRC;
- the PRC State Administration for Market Regulation (which has absorbed the previous SAIC in April 2018);
- SAT; and
- SAFE.

As the approval process is beyond the control of the Company (particularly in the situation where the Deed of Equity Interest Purchase Undertaking is triggered by the winding-up of the Company), there can be no assurance that the Company will successfully obtain any of the requisite approvals or registrations in time, or at all, or that the PRC government’s relevant policies or regulations will not change in the future. In the event that the Company fails to obtain the requisite approvals or registrations, the Issuer and the Guarantor may still have insufficient funds to discharge their outstanding payment obligations to the Noteholders.

Further, in the event of an insolvency of a Relevant Transferor, any sale proceeds received by that Relevant Transferor may be subject to the insolvency claims of third parties. Where a Relevant Transferor is the Guarantor, the Trustee’s claim against such sale proceeds will be an unsecured claim and may rank lower in priority to any claims by secured third-party creditors of such Relevant Transferor. Where a Relevant Transferor is not the Guarantor, the Trustee will not have a direct claim against the sale proceeds received by such Relevant Transferor.

Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking may be subject to consent from third party creditors and shareholders, and may also be restricted if any of the equity interests are secured in favour of third party creditors.

Under the terms of the Deed of Equity Interest Purchase Undertaking, the Company agrees to purchase, upon the occurrence of an Event of Default, from the Relevant Transferor the equity interest of indirectly held subsidiaries of the Company held by it. The ability of the Company to perform this undertaking may be affected by any present or future financing agreements of the Company and its subsidiaries:

- in the event that such financial agreements contain non-disposal or other restrictive covenants that would prevent the sale of an equity interest by a Relevant Transferor, the Company and its subsidiaries would need to obtain the consent from the third party creditor before the Relevant Transferor is able to proceed with the sale of such equity interest; and
- in the event that certain equity interests have been secured in favour of third party creditors, the Company and its subsidiaries would need to arrange for these security interests to be released before the Relevant Transferor is able to proceed with the sale of such equity interests.

Under the Terms and Conditions, the Keepwell and Liquidity Support Deed or the Deed of Equity Interest Purchase Undertaking, there are no restrictions on the Company or its subsidiaries entering into financing agreements with such non-disposal or other restrictive covenants or securing the equity interests of any member of the Group in favour of its creditors (not being holders of relevant indebtedness/debt securities issued outside the PRC by the Company or any of its subsidiaries).

In the event the obligation to purchase under the Deed of Equity Interest Purchase Undertaking becomes effective, there is no assurance that the Relevant Transferor will be able to obtain any required consents from its creditors or that it will be able to arrange for any existing security arrangement to be released in order for the sale of the equity interest to proceed. If the Relevant Transferor is not able to do so, it may need to repay the indebtedness owed to its third party creditors in order to be able to sell the relevant equity interests to the Company. In the event that the required consents or waivers from third party creditors are not able to be obtained and in the case of third party creditors, the relevant indebtedness cannot be repaid in a timely manner, the sale of the equity interest may not be able to proceed and the Issuer and the Guarantor may have insufficient funds to discharge their respective payment obligations to the holders of the Notes.

In addition, the sale of the equity interests in certain non-wholly-owned companies may be subject to pre-emptive rights or other restrictions in such company's articles of association, shareholders' agreement or otherwise that would require the selling shareholder to obtain consent or waiver from other third party shareholders before any equity interest can be sold to the Company. In the event the obligation to purchase under the Deed of Equity Interest Purchase Undertaking becomes effective there is no assurance that any required consents or waivers can be obtained from third party shareholders in a timely manner or at all.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes (the “Conditions”) which (subject to modification and except for the paragraphs in italics) will be endorsed on the Note Certificates (as defined below) issued in respect of the Notes:

The U.S.\$200,000,000 7.60 per cent. Guaranteed Notes due 2020 (the “Notes”, which expression includes any further notes issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of Zhongrong International Bond 2018 Limited (the “Issuer”) was authorised by a resolution of the Board of Directors of the Issuer passed on 18 May 2018. The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated on or about 11 June 2018 (as amended, restated, replaced or supplemented from time to time, the “Trust Deed”) between the Issuer, Zhongrong International Holdings Limited (the “Guarantor”), Zhongrong International Trust Co., Ltd. (the “Company”) and Bank of Communications Trustee Limited as trustee (the “Trustee”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated on or about 11 June 2018 (as amended, restated, replaced or supplemented from time to time, the “Agency Agreement”) between the Issuer, the Guarantor, the Company, Bank of Communications Co., Ltd. Hong Kong Branch as registrar (the “Registrar”, which expression includes any successor registrar appointed from time to time in connection with the Notes) and principal paying agent (the “Principal Paying Agent”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the “Paying Agents”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (the “Transfer Agents”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), the Account Bank (as defined below) and the Trustee. References herein to the “Agents” are to the Registrar, the Principal Paying Agent, the Transfer Agents, the Paying Agents and the Account Bank (as defined herein) and any reference to an “Agent” is to any one of them. The Guarantee of the Notes was authorised by a resolution of the Board of Directors of the Guarantor passed on 18 May 2018. The Notes and the Guarantee of the Notes also have the benefit of (i) a keepwell and liquidity support deed dated on or about 11 June 2018 (as amended, restated, replaced or supplemented from time to time, the “Keepwell and Liquidity Support Deed”) between the Issuer, the Guarantor, the Company and the Trustee; (ii) a deed of equity interest purchase undertaking dated on or about 11 June 2018 (as amended, restated, replaced or supplemented from time to time, the “Deed of Equity Interest Purchase Undertaking”) between the Issuer, the Guarantor, the Company and the Trustee; and (iii) an account bank agreement dated on or about 11 June 2018 (as amended, restated, replaced or supplemented from time to time, the “Account Bank Agreement”) between the Issuer, the Guarantor, the Trustee and the account bank named therein (the “Account Bank”). The entry into the Keepwell and Liquidity Support Deed, Deed of Equity Interest Purchase Undertaking and Account Bank Agreement was authorised by a resolution of the Board of Directors of the Company passed on 23 April 2018.

Certain provisions of these Conditions are summaries of the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Account Bank Agreement and are subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Account Bank Agreement applicable to them. Copies of the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Account Bank Agreement are available for inspection by Noteholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof 1/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination, Status and Guarantee

- (a) **Form and denomination:** The Notes are in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorised Denomination**”).
- (b) **Status of the Notes:** The Notes constitute direct, general, unsubordinated and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

- (c) **Guarantee of the Notes:** The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This guarantee (the “Guarantee of the Notes”) constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Upon issue, the Notes will be evidenced by a global note certificate (the “Global Note Certificate”) substantially in the form scheduled to the Trust Deed. The Global Note Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”), and will be exchangeable for individual Note Certificates only in the circumstances set out therein.

2. Register, Title and Transfers

- (a) **Register:** The Registrar will maintain a register (the “Register”) in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the “Holder” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “Noteholder” shall be construed accordingly. A certificate (each, a “Note Certificate”) will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) **Title:** The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking under the Contracts (Rights of Third Parties) Act 1999.
- (c) **Transfers:** Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed and executed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor. No transfer of title to a Note will be valid unless and until registered on the Register.

Transfers of interests in the Notes evidenced by the Global Note Certificate will be effected in accordance with the rules of the relevant clearing systems.

- (d) **Registration and delivery of Note Certificates:** Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “business day” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (e) **No charge:** The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

- (f) **Closed periods:** Noteholders may not require transfers to be registered:
- (i) during the period of 15 days ending on (and including) the due date for any payment of principal or interest in respect of the Notes;
 - (ii) during the period of 15 days ending on (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 5(b) (*Redemption for tax reasons*); and
 - (iii) after a Put Exercise Notice (as in Condition 5(c) (*Redemption for Change of Control*)) has been delivered in respect of the relevant Note(s) in accordance with Condition 5(c) (*Redemption for Change of Control*).
- (g) Regulations concerning transfers and registration: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge to the Holder and at the Issuer's (failing which, the Guarantor's expense) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. Covenants

- (a) **Negative Pledge:** So long as any Note remains outstanding (as defined in the Trust Deed),
- (i) the Guarantor shall not, and the Guarantor shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (A) at the same time or prior thereto securing the Notes equally and rateably therewith or (B) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; and
 - (ii) the Company has undertaken in the Keepwell and Liquidity Support Deed that:
 - (A) it shall not create or have outstanding any Relevant Indebtedness or Guarantee of Relevant Indebtedness without at the same time or prior thereto (x) providing an unsubordinated guarantee or indemnity for all amounts payable in respect of the Notes or (y) offering to exchange the Notes for securities issued or guaranteed by the Company with terms substantially identical to those of the Notes as certified by an Independent Investment Bank, provided that, if the provision of an unsubordinated guarantee or indemnity in (x) or the offer to exchange in (y), as the case may be, requires any Regulatory Approval, the Company shall use all reasonable endeavours to obtain such Regulatory Approvals and if the Company fails to obtain such Regulatory Approvals after using all reasonable endeavours, the Company shall not be required to comply with the requirements of this Condition 3(a)(ii)(A); and
 - (B) it shall procure that none of the Subsidiaries of the Company will create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (x) at the same time or prior thereto securing the Notes equally and rateably or (y) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution of Noteholders.
- (b) **Limitation on Activities:** So long as any Note remains outstanding,
- (i) the Issuer shall not, and the Guarantor and the Company have undertaken in the Keepwell and Liquidity Support Deed to procure that the Issuer shall not, carry on any business activity whatsoever other than the activities in connection with the Notes (such activities in

connection with the Notes shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Notes to only either the Company or any of its Subsidiaries (each a “Group Borrower”), and to cause such Group Borrower to pay the interest and principal in respect of such intercompany loan on time); and

- (ii) the Issuer shall not issue any equity interest, capital stock or shares other than ordinary shares to the Guarantor and the Guarantor shall at all times maintain ownership of 100 per cent. of the equity interest in the Issuer.
- (c) **Financial Statements etc.:** So long as any Note remains outstanding,
- (i) each of the Issuer and the Guarantor shall provide (A) a Compliance Certificate (on which the Trustee may rely as to such compliance) within 30 days of a request by the Trustee and 150 days of the end of each Relevant Period; (B) a copy of the Guarantor Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with HKFRS (audited by a nationally recognised firm of independent accountants); and (C) a copy of the Guarantor Unaudited Financial Reports within 150 days of the end of each Relevant Period prepared on a basis consistent with the Guarantor Audited Financial Reports; and
 - (ii) the Company has undertaken in the Trust Deed to provide (A) a Compliance Certificate of the Company (on which the Trustee may rely as to such compliance) within 30 days of a request by the Trustee and 150 days of the end of each Relevant Period; (B) a copy of the relevant Company Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally recognised firm of independent accountants of good repute); and (C) a copy of the Company Unaudited Financial Reports within 150 days of the end of each Relevant Period prepared on a basis consistent with the Company Audited Financial Reports,

and if such statements referred to in this Condition 3(c) (*Financial Statements etc.*) shall be in the Chinese language, together with an English translation of the same and translated by (x) a nationally recognised firm of independent accountants or (y) a professional translation service provider and checked by a nationally recognised firm of independent accountants, together with a certificate signed by a director of the Company certifying that such translation is complete and accurate.

- (d) **Equity attributable to owners of the Guarantor:** So long as any Note remains outstanding, the Guarantor undertakes to ensure an aggregate Equity attributable to owners of the Guarantor of at least RMB10,000,000 at the end of any Relevant Period. The Equity attributable to owners of the Guarantor shall be tested by reference to the Guarantor Audited Financial Reports or, as the case may be, the Guarantor Unaudited Financial Reports, whichever is the latest available document. The Trustee is under no obligation to monitor compliance by the Guarantor with this Condition 3(d) (*Equity attributable to owners of the Guarantor*) and shall not be responsible or liable to any Noteholder or any other person for not doing so.
- (e) **Liquidity Support and Parent Investment:** the Trustee shall provide a written notice (the “**Trigger Notice**”) to the Company in accordance with the Trust Deed (i) if the Trustee does not receive the Liquidity Notice from the Issuer and the Guarantor at least 30 KWD Business Days (as defined in the Keepwell and Liquidity Support Deed) before each Interest Payment Date (as defined herein) in accordance with the terms of the Keepwell and Liquidity Support Deed, (ii) upon being notified in writing by the Issuer, the Guarantor and/or the Company that a Triggering Event has occurred or (iii) if any Triggering Event has occurred and if so requested in writing by Holders of at least 25 per cent. of the aggregate principal amount of the Notes then outstanding (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction). Upon the receipt of the Trigger Notice, the Company has undertaken in the Keepwell and Liquidity Support Deed:
- (i) to provide the liquidity support to the Issuer and/or the Guarantor (the “**Liquidity Support**”); and

- (ii) to invest in the Guarantor and/or any Offshore Subsidiary(ies) (as defined in the Keepwell and Liquidity Support Deed) (the “**Parent Investment**”),

in each case, in accordance with the Keepwell and Liquidity Support Deed and subject to it having obtained all relevant Regulatory Approvals (as defined in the Keepwell and Liquidity Support Deed) (which the Company has undertaken to use all reasonable endeavours to obtain).

A “**Triggering Event**” means the occurrence of any of the following events:

- (A) the Consolidated Net Worth of the Issuer at any time falls below U.S.\$1.00 or the Equity attributable to owners of the Guarantor at the end of the Relevant Period falls below RMB10,000,000 (a “**Financial Ratio Failure**”);
- (B) the Issuer or the Guarantor fails to provide a Liquidity Notice (as defined in the Keepwell and Liquidity Support Deed) in accordance with and by the time and to the persons as specified in the Keepwell and Liquidity Support Deed (the “**Liquidity Notice Failure Event**”);
- (C) an Event of Default; or
- (D) the Issuer or the Guarantor determines that it will have insufficient liquidity or cashflow to meet its payment obligations under the Notes, the Guarantee of the Notes or the Trust Deed as they fall due (a “**Shortfall Event**”).

The obligations of the Company in the Keepwell and Liquidity Support Deed shall be suspended if each of the Issuer, the Guarantor and the Company receives a notice in writing from the Trustee stating that any of the following events has occurred:

- (1) the Trustee (i) has received a notice in writing from the Principal Paying Agent that all of the payment obligations of the Issuer in respect of any principal, premium, interest and default interest (if applicable) under the Notes have been satisfied in full and (ii) is satisfied that all amounts due and payable to the Trustee under the Trust Deed have been satisfied in full;
- (2) in the event of a Liquidity Notice Failure Event resulting in the service of a Trigger Notice, the Trustee (i) has received a notice in writing from the Principal Paying Agent that the payment obligations of the Issuer in respect of any principal, premium and interest under the Notes due on the Interest Payment Date immediately following the date of the relevant Liquidity Notice, together with any default interest due (if applicable) as at the date of the notice from the Principal Paying Agent have been satisfied in full and (ii) is satisfied that all amounts due and payable to the Trustee under the Trust Deed as at the date of the notice from the Principal Paying Agent have been satisfied in full;
- (3) in the event of an Event of Default resulting in the service of a Trigger Notice, such Event of Default has been waived by the Trustee acting on the instructions of the Noteholders by an Extraordinary Resolution; or
- (4) in the event of a Financial Ratio Failure or Shortfall Event resulting in the service of a Trigger Notice, the Trustee has received (i) a certificate from the Guarantor signed by any one of its directors or authorised signatories on behalf of the Guarantor or the Issuer, as the case may be certifying that such Financial Ratio Failure or Shortfall Event has been remedied in full and (ii) a report from the auditors of the Issuer or the Guarantor of recognised standing to the effect that such Financial Ratio Failure or Shortfall Event has been remedied.

- (f) ***Deed of Equity Interest Purchase Undertaking:*** Upon the occurrence of an Event of Default, the Trustee shall provide to the Company (with a copy to the Issuer and the Guarantor) a notice in writing in accordance with the Trust Deed notifying the Company of its obligations to carry out intra-group purchase(s) of certain equity interest held by any other offshore subsidiary or subsidiaries of the Company pursuant to the Deed of Equity Interest Purchase Undertaking. Upon the completion of any Purchase (as defined in the Deed of Equity Interest Purchase Undertaking), the Company has undertaken in the Deed of Equity Interest Purchase Undertaking, in the event that a Relevant Transferor (as defined in the Deed of Equity Interest Purchase Undertaking) is not the Issuer or the Guarantor, to procure such Relevant Transferor to promptly on-lend or distribute in full the relevant portion of the Purchase Price (as defined in the Deed of Equity Interest Purchase Undertaking) received by such Relevant Transferor to the Issuer prior to any other use, disposal or transfer of the proceeds received.
- (g) ***Use of Proceeds Received pursuant to the Keepwell and Liquidity Support Deed and Deed of Equity Interest Purchase Undertaking:*** Each of the Issuer and the Guarantor shall, and the Company has undertaken in the Keepwell and Liquidity Support Deed to procure the Issuer and the Guarantor to, take all actions necessary for the proceeds received from Liquidity Support and the Parent Investment to be applied in and towards (i) the payment in full of any outstanding amounts as they fall due under the Trust Deed, the Notes and the Guarantee of the Notes (including any interest accrued but unpaid on the Notes) if the Triggering Event is an Event of Default or (ii) the payment in full of any outstanding amount as they fall due on the immediately following Interest Payment Date under the Trust Deed, the Notes and the Guarantee of the Notes (including any interest accrued but unpaid on the Notes) if the Triggering Event is a Liquidity Notice Failure Event or (iii) the remedy of the Financial Ratio Failure or the Shortfall Event if such Triggering Event has occurred, prior to any other use, disposal or transfer of the proceeds received. The Company has undertaken in the Deed of Equity Interest Purchase Undertaking that upon the completion of any Purchase, it shall in the event that a relevant transferor is not the Issuer or the Guarantor, procure such relevant transferor to promptly on-lend or distribute in full the relevant portion of the proceeds received from the Purchase, being an amount no less than the Shortfall Amount (as defined in the Deed of Equity Interest Purchase Undertaking), to the Issuer prior to any other use, disposal or transfer of the proceeds received and promptly do all such things (including entering into and executing any agreements or arrangements required) and take all actions necessary for the proceeds received by the Issuer or the Guarantor from the Company or pursuant to any on-loan or distribution referred to above to be applied solely towards the payment in full of the Issuer's or the Guarantor's obligations, as the case may be, under the Notes, the Guarantee of the Notes and the Trust Deed (including without limitation the payment of the principal amount of the Notes then outstanding as at the date of the Purchase Notice and any interest due and unpaid and/or accrued but unpaid on the Notes up to but excluding the date of such Purchase Notice (as defined in the Deed of Equity Interest Purchase Undertaking)) prior to any other use, disposal or transfer of the proceeds received.
- (h) **Interest Reserve:** Pursuant to the Account Bank Agreement:
- (i) on the Issue Date, the Issuer has undertaken to deposit an amount not less than the Specified Balance into the Interest Reserve Account;
 - (ii) unless the Notes have been redeemed or purchased and cancelled in full under these Conditions, the Issuer has undertaken to, subject to Condition 3(h)(iii), maintain at all times prior to the Maturity Date (as defined in Condition 5(a) (*Scheduled redemption*)), an amount not less than the Specified Balance in the Interest Reserve Account;
 - (iii) the Issuer may, at any time in the period falling not more than 14 nor less than two business days prior to an Interest Payment Date, by written notice to the Account Bank, direct the Account Bank to pay such amount of the Reserve Fund to the Principal Paying Agent in and towards payment of interest due and payable under the Notes on such Interest Payment Date but shall by no later than 30 days following the relevant Interest Payment Date, deposit in the Interest Reserve Account such amount as necessary to maintain the Specified Balance;
 - (iv) the Issuer shall not withdraw any amount from the Interest Reserve Account other than pursuant to these Conditions and the Account Bank Agreement;

- (v) upon the occurrence of an Event of Default under the Notes, the Reserve Fund shall be held solely to the order of the Trustee and the Account Bank shall release the Reserve Fund in the Interest Reserve Account at the direction of the Trustee, which shall apply such funds in accordance with the provisions of the Trust Deed in and towards payment of the amounts due under the Notes and the Trust Deed; and
- (vi) upon the redemption or purchase and cancellation of the Notes in full, the Issuer shall direct the Account Bank to transfer the Reserve Fund to the Issuer in accordance with the Account Bank Agreement and close the Interest Reserve Account at zero balance.
- (i) **Rating maintenance:** So long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of Noteholders, each of the Issuer and the Guarantor shall use its best endeavours to maintain a rating on the Notes by the Rating Agency.
- (j) **Notification to NDRC:** The Company undertakes to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date (as defined below) in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資 [2015] 2044 號)) issued by the NDRC and which came into effect on 14 September 2015, and any applicable implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the “NDRC Post-issue Filing”).

The Company shall complete the NDRC Post-issue Filing and provide such document(s) evidencing due filing with the NDRC (if any) within the prescribed timeframe and, shall comply with all applicable PRC laws and regulations in connection with the Notes. The Company shall within 15 PRC Business Days after submission of such NDRC Post-issue Filing provide the Trustee with a certificate signed by any director or duly authorised officer of the Company confirming the submission of the NDRC Post-issue Filing.

The Trustee shall have no obligation or duty to monitor or ensure the completion of the NDRC Post-issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any certificate, confirmation, or other documents in relation to or in connection with the NDRC Post-issue Filing or to give notice to the Noteholders confirming the completion of the NDRC Post-Issue Filing, and shall not be liable to Noteholders or any other person for not doing so.

- (k) **Definitions:** In these Conditions:

“**Approval Authorities**” means any supranational, national, state, municipal, provincial or local government (including any subdivision, court, administrative agency or commission or other authority thereof) or any quasi governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi governmental authority whose licences, authorisations, registrations or other approvals are necessary for undertaking the transactions contemplated by the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Notes;

“**Company Audited Financial Reports**” means the annual audited consolidated balance sheet, income statement, statement of cash flows of the Company and its Subsidiaries and statements of changes in owners’ equity of the Company together with any statements, reports (including any directors’ and auditors’ reports) and notes attached to or intended to be read with any of them, if any;

“**Company Unaudited Financial Reports**” means the semi-annual unaudited and unreviewed consolidated balance sheet, income statement, statement of cash flows of the Company and its Subsidiaries and statements of changes in owners’ equity of the Company together with any statements, reports (including any directors’ review reports) and notes attached to or intended to be read with any of them, if any;

“Compliance Certificate” means a certificate of each of the Issuer, the Guarantor and the Company signed by any one of their respective directors or duly authorised officers certifying that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer, the Guarantor or the Company (as the case may be) as at a date (the “Certification Date”) not more than five days before the date of the certificate:

- (a) no Event of Default or an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 (*Events of Default*), become an Event of Default or other Triggering Event had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
- (b) each of the Issuer, the Guarantor and the Company has complied with all its respective obligations under the Trust Deed, the Notes, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Account Bank Agreement;

“Consolidated Net Worth” means the excess of the consolidated total assets of the Issuer over the consolidated total liabilities of the Issuer, each of “consolidated total assets” and “consolidated total liabilities” to be determined in accordance with HKFRS consistently applied;

“Equity attributable to owners of the Guarantor” means the line item referenced as “*Total owners’ equity (or shareholders’ equity)*” with the corresponding caption in the consolidated statement of financial position of the Guarantor Audited Financial Reports or the Guarantor Unaudited Financial Reports;

“Guarantee” means, in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation):

- (a) any obligation to purchase such indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such indebtedness; and
- (d) any other agreement to be responsible for such indebtedness;

“Guarantor Audited Financial Reports” means the annual audited consolidated statement of balance sheet, income statement, statement of cash flows of the Guarantor and its Subsidiaries and statements of changes in owners’ equity of the Guarantor together with any statements, reports (including any directors’ and auditors’ reports) and notes attached to or intended to be read with any of them;

“Guarantor Unaudited Financial Reports” means the semi-annual unaudited and unreviewed consolidated balance sheet, income statement, statement of cash flows of the Guarantor and its Subsidiaries and statements of changes in owners’ equity of the Guarantor together with any statements, reports (including any directors’ review reports) and notes attached to or intended to be read with any of them, if any;

“HKFRS” means the Hong Kong Financial Reporting Standards;

“Hong Kong” means the Hong Kong Special Administrative Region of the PRC;

“Independent Investment Bank” means an independent investment bank of international repute (acting as an expert) selected by the Issuer (at the expense of the Issuer, failing whom, the Guarantor) and notified in writing to the Trustee;

“**Interest Period**” means each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (and excluding) the next Interest Payment Date;

“**Interest Reserve Account**” means a U.S. dollar account established with the Account Bank in the name of Zhongrong International Bond 2018 Ltd as specified in the Account Bank Agreement;

“**NDRC**” means the National Development and Reform Commission of the PRC or its local counterparts;

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

“**PRC**” means the People’s Republic of China, which, for the purposes of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

“**PRC Business Day**” means a day on which commercial banks are open for business in the PRC;

“**PRC GAAP**” means the Accounting Standards for Business Enterprises in the PRC;

“**Rating Agency**” means (1) Standard & Poor’s Rating Services and its successor (“**Standard & Poor’s**”) or (2) if Standard & Poor’s could not make a rating of the Notes publicly available, then the Issuer will select and substitute Standard & Poor’s with Moody’s Investor Services or Fitch Ratings or their respective successors or any other reputable credit rating agency of international standing;

“**Regulatory Approvals**” means all necessary regulatory or governmental approvals, consents, licences, orders, permits, registrations, filings, clearances and any other authorisations from the relevant Approval Authorities;

“**Relevant Indebtedness**” means any present or future indebtedness incurred outside the PRC which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other securities 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) (which, for the avoidance of doubt, does not include bilateral loans, syndicated loans or club deal loans);

“**Relevant Period**” means (a) in relation to each of the Company Audited Financial Reports and the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of their respective financial year (being 31 December of that financial year) and (b) in relation to each of the Company Unaudited Financial Reports and the Guarantor Unaudited Financial Reports, each period of six months ending on the last day of its first half financial year (being 30 June of that financial year);

“**Reserve Fund**” means any amount standing to the credit of the Interest Reserve Account;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest;

“**Specified Balance**” means the amount equal to the amount of interest due in respect of the Notes for one Interest Period, on Issue Date being U.S.\$7,600,000; and

a “**Subsidiary**” means any company whose financial statements are required by law or in accordance with the generally accepted accounting principles of the PRC or the British Virgin Islands to be fully consolidated with those of the Issuer, the Guarantor or the Company.

4. Interest

The Notes bear interest from 11 June 2018 (the “**Issue Date**”) at the rate of 7.60 per cent. per annum, (the “**Rate of Interest**”) payable semi annually in arrear on 11 June and 11 December in each year (each, an “**Interest Payment Date**”), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Note Certificates representing the Notes, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) 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 Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.\$38 in respect of each U.S.\$1,000 principal amount of the Notes. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

“**Calculation Amount**” means U.S.\$1,000; and

“**Day Count Fraction**” means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

5. Redemption and Purchase

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 11 June 2020 (the “**Maturity Date**”), subject as provided in Condition 6 (*Payments*).
- (b) **Redemption for tax reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that
 - (i) (A) the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 4 June 2018; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
 - (ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Notes, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 4 June 2018; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee:

a certificate signed by any director or duly authorised officer of the Issuer stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by any director or duly authorised officer of the Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances.

The Trustee shall be entitled to accept and rely upon such certificate (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) or (as the case may be) (ii)(A) and (ii)(B) above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice period as is referred to in this Condition 5(b) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b) (*Redemption for tax reasons*).

- (c) ***Redemption for Change of Control:*** At any time following the occurrence of a Change of Control, each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Put Settlement Date at 101 per cent. of their principal amount, together with accrued interest to such Put Settlement Date. To exercise such right, the Noteholder must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Put Exercise Notice**"), together with the Note Certificates evidencing the Notes to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 15 (*Notices*). The "**Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid.

The Issuer or the Guarantor shall give notice to Noteholders and the Trustee in accordance with Condition 15 (*Notices*) by not later than 14 days following the first day on which either of them becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Notes pursuant to this Condition 5(c) (*Redemption for Change of Control*).

In this Condition 5(c) (*Redemption for Change of Control*): a "**Change of Control**" occurs when:

- (a) the Company ceases to have Control of the Guarantor;
- (b) Jingwei Textile ceases to be the largest direct or indirect holder of the issued share capital of the Company;
- (c) the Substantial Shareholders cease to in aggregate have Control of the Company; or
- (d) SASAC ceases to legally or beneficially hold or own (directly or indirectly) in aggregate more than 25 per cent. of the issued share capital of the Company;

"**Control**" means (where applicable), with respect to a Person, either (i) or (ii) is satisfied: (i) the ownership, acquisition or control of the Relevant Percentage of the voting rights of the issued share capital of such Person, whether obtained directly or indirectly or (ii) the right to appoint and/or remove the Relevant Percentage of the members of the Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

“**Harbin Investment**” means Harbin Investment Group Co., Ltd. (哈爾濱投資集團有限公司);

“**Jingwei Textile**” means Jingwei Textile Machinery Co., Ltd. (經緯紡織機械股份有限公司);

a “**Person**”, as used in this Condition 5(c) (*Redemption for Change of Control*), includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

“**Relevant Percentage**” means (a) in the case of Control of the Company over the Guarantor, 100 per cent. and (b) in the case of Control of the Substantial Shareholders over the Company, at least 51 per cent.;

“**SASAC**” means the State-owned Assets Supervision and Administration of the State Council of the PRC or its successor, including any municipal or provincial bureau of SASAC; and

“**Substantial Shareholders**” means Jingwei Textile, Harbin Investment or any other state-owned enterprise or company more than 50 per cent. owned or controlled directly or indirectly by SASAC that holds or owns any issued share capital of the Company.

- (d) **No other redemption:** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption for Change of Control*) above.
- (e) **Purchase:** The Issuer, the Guarantor, the Company or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.
- (f) **Cancellation:** All Notes so redeemed or purchased by the Issuer, the Guarantor, the Company or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold. The obligations of the Issuer, the Guarantor and the Company in respect of any Notes so cancelled in accordance with the Trust Deed shall be discharged.
- (g) **No Duty to Monitor:** Neither the Trustee nor any of the Agents shall be obliged to take any steps to ascertain whether a Change of Control or Event of Default has occurred or to monitor the occurrence of any Change of Control or Event of Default, and shall not be liable to the Noteholders or any other person for not doing so.

6. Payments

- (a) **Principal:** Payments of principal shall be in U.S. dollars made by U.S. dollar cheque drawn on, or, upon application by a Noteholder to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) **Interest:** Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Noteholder to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

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

- (c) **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) **Payments on business days:** Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Noteholder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) the Noteholder is late in surrendering or cannot surrender its Note Certificate (if required to do so) or (C) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, “**business day**” means any day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for general business (including dealings in foreign currencies) in Hong Kong and New York City and the place in which the specified office of the Principal Paying Agent is located and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).
- (e) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) **Record date:** Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the fifteenth business day before the due date for such payment (the “**Record Date**”). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. Where such withholding or deduction is made by the Issuer or the Guarantor in the PRC at the rate applicable on 4 June 2018 (the “**Applicable Rate**”), the Issuer or (as the case may be) the Guarantor will pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event that the Issuer or (as the case may be) the Guarantor is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate; or (ii) by or within the British Virgin Islands, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

- (a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or
- (b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such Additional Amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, “**Relevant Date**” means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any Additional Amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

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

8. Events of Default

If any of the following events (each, an “**Event of Default**”) occurs, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) **Non-payment:** the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within seven days of the due date for payment thereof; or
- (b) **Interest Reserve Account:** there is a failure to maintain at least the Specified Balance in the Interest Reserve Account except to the extent permitted by Condition 3(h) (*Interest Reserve*); or
- (c) **Breach of other obligations:** the Issuer, the Guarantor or the Company defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed (other than where it gives rise to a right of redemption pursuant to Condition 5(c) (*Redemption for Change of Control*)), the Deed of Equity Interest Purchase Undertaking and/or the Account Bank Agreement and such default (i) is incapable of remedy or (ii) being a default which is capable of remedy but remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof to the Issuer, the Guarantor or (as the case may be) the Company; or
- (d) **Cross-acceleration of Issuer, Guarantor, Company or Subsidiary:**
 - (i) any indebtedness for money borrowed or raised of the Issuer, the Guarantor, the Company or any of their respective Subsidiaries is not paid when due;
 - (ii) any such indebtedness for money borrowed or raised becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor, the Company or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such indebtedness for money borrowed or raised; or

- (iii) the Issuer, the Guarantor, the Company or any of their respective Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any indebtedness for money borrowed or raised;

provided that the amount of indebtedness for money borrowed or raised referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds RMB100,000,000 (or its equivalent in any other currency or currencies); or

- (e) **Unsatisfied judgment:** one or more judgment(s) or order(s) for the payment of any amount is rendered against the Issuer, the Guarantor, the Company or any of their respective Subsidiaries in respect of all or a substantial part of their undertaking, assets and revenue and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (f) **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor, the Company or any of their respective Subsidiaries; or
- (g) **Insolvency, etc.:** (i) the Issuer, the Guarantor, the Company or any of their respective Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer, the Guarantor, the Company or any of their respective Subsidiaries or the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor, the Company or any of their respective Subsidiaries, (iii) the Issuer, the Guarantor, the Company or any of their respective Subsidiaries takes any action for a readjustment or deferment of all or any substantial part of its debts or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or any substantial part of its indebtedness or Guarantee of any indebtedness given by it or (iv) the Issuer, the Guarantor, the Company or any of the Subsidiaries of the Guarantor or the Company ceases or threatens to cease to carry on all or any substantial part of its business except for (A) where the cessation is for the purpose of a reconstruction, amalgamation, reorganisation, merger or consolidation (x) on terms approved by an Extraordinary Resolution of the Noteholders, or (y) in the case of a Subsidiary, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Company, the Guarantor or any of their respective Subsidiaries; or (B) in the case of a Subsidiary, where the cessation is as a result of a disposal on arm's length terms; or
- (h) **Winding up, etc.:** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor, the Company or any of their respective Subsidiaries except for (i) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders, (ii) in the case of a Subsidiary, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor, the Company or any of their respective Subsidiaries or (iii) a solvent winding up of any Subsidiary; or
- (i) **Analogous event:** any event occurs which under the laws of the British Virgin Islands, Hong Kong or the PRC has an analogous effect to any of the events referred to in paragraphs (e) (*Unsatisfied judgment*) to (h) (*Winding up etc.*) above; or
- (j) **Failure to take action, etc.:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer, the Guarantor or the Company lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed (other than with regard to the performance and compliance with the obligations thereunder), the Deed of Equity Interest Purchase Undertaking (other than with regard to the performance and compliance with the obligations thereunder) and the Account Bank Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable, and (iii) to make the Note Certificates, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Account Bank Agreement admissible in evidence in the courts of the British Virgin Islands, Hong Kong and the PRC is not taken, fulfilled or done; or

- (k) **Unlawfulness:** it is or will become unlawful for the Issuer, the Guarantor or the Company to perform or comply with any of their respective obligations under or in respect of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Account Bank Agreement; or
- (l) **Guarantee not in force:** the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect; or
- (m) **Government intervention:** all or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor, the Company or any of their respective Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government; or the Issuer, the Guarantor, the Company or any of the Subsidiaries of the Guarantor or the Company is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or
- (n) **Keepwell and Liquidity Support Deed and Deed of Equity Interest Purchase Undertaking:** the Keepwell and Liquidity Support Deed or the Deed of Equity Interest Purchase Undertaking is not (or is claimed by the Company to not be) in full force and effect, or any of the Keepwell and Liquidity Support Deed or the Deed of Equity Interest Purchase Undertaking is modified, amended or terminated other than strictly in accordance with its terms or these Conditions.

9. Prescription

Claims for principal, premium (if any) and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years (in the case of principal or premium (if any)) and five years (in the case of interest) of the appropriate Relevant Date.

10. Replacement of Note Certificates

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

11. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or provided with security and/ or pre-funded and relieved from responsibility in certain circumstances and to be paid its fees, costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Noteholders as a result of such Noteholders being connected in any way with a particular territory or taxing jurisdiction.

The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking, the Account Bank Agreement of these Conditions. None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor, the Company and any other person appointed by the Issuer in relation to the notes of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer, the Guarantor or the Company to the contrary, the Trustee and each Agent shall assume that the same are being duly performed.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; provided, however, that the Issuer and the Guarantor shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. Meetings of Noteholders, Modification and Waiver

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions, the Agency Agreement, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking, the Account Bank Agreement or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Note and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses by such Noteholders. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, to amend the terms of the Guarantee of the Notes, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Account Bank Agreement in each case otherwise than in accordance with Condition 12(b) or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

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

- (b) **Modification and waiver:** The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Account Bank Agreement (other than in respect of a Reserved Matter) which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Account Bank Agreement which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Account Bank Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Noteholders and unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter.

- (c) **Directions from Noteholders:** Notwithstanding anything to the contrary, the Notes, the Guarantee of the Notes, the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and/or the Account Bank Agreement, whenever the Trustee is required or entitled by the terms of contrary in the Notes, the Guarantee of the Notes, the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and/or the Account Bank Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.
- (d) **Certificates and Reports:** The Trustee may rely without liability to Noteholders on a report, confirmation or certificate or any advice of any lawyers, accountants, 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 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 or certificate or advice and such report, confirmation or certificate or advice shall be binding (to the extent applicable) on the Issuer, the Guarantor, the Company, the Trustee and the Noteholders.

13. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such actions, steps and proceedings as it thinks fit to enforce its rights under the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Account Bank Agreement in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or provided with security and/or pre-funded to its satisfaction.

No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further Notes having the same terms and conditions as the Notes in all material respects (or in all material respects except for the issue date, first payment of interest and the timing to perform and complete the NDRC Post-issue Filing) so as to form a single series with the Notes or upon such terms as the Issuer may determine at the time of their issue. The Issuer may from time to time create and issue other series of notes having the benefit of the Trust Deed, **provided that** such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed.

15. Notices

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

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

16. Governing Law and Jurisdiction

- (a) **Governing law:** The Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking, the Agency Agreement, the Account Bank Agreement and any non-contractual obligations arising out of or in connection therewith, are governed by English law.
- (b) **Jurisdiction:** Each of the Issuer, the Guarantor and the Company has in the Trust Deed, the Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking and the Agency Agreement and each of the Issuer and the Guarantor has in the Account Bank Agreement (i) agreed that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes or such documents (including any non-contractual obligation arising out of or in connection therewith); and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in Hong Kong to accept service of any process on its behalf; and (iv) consented to the enforcement of any judgment.
- (c) **Waiver of immunity:** To the extent that each of the Issuer, the Guarantor and the Company may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to it or its assets or revenues, each of the Issuer, the Guarantor and the Company agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

17. Rights of Third Parties

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Global Note Certificate contains provisions which apply to the Notes while they are in global form, some of which modify the effect of the Terms and Conditions set out in this Offering Circular. The following is a summary of certain of those provisions.

The Notes will be represented by a Global Note Certificate which will be registered in the name of a nominee for, and deposited with, a common depository for Euroclear and Clearstream, Luxembourg.

Under the Global Note Certificate, the Issuer, for value received, will promise to pay the amount payable upon redemption under the Terms and Conditions in respect of the Notes represented by the Global Note Certificate to the Noteholder in such circumstances as the same may become payable in accordance with the Terms and Conditions.

The Global Note Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Noteholder of the Global Note Certificate, Euroclear and/or Clearstream, Luxembourg to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Noteholder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Note Certificate will contain provisions that modify the Terms and Conditions as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of certain of those provisions:

Payment Record Date: Each payment in respect of a Global Note Certificate will be made to the person shown as the Noteholder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Exercise of put option: In order to exercise the option contained in Condition 5(c) (*Redemption for Change of Control*) (the "**Put Option**"), the Noteholder must, within the period specified in the Terms and Conditions for the deposit of the relevant Global Note Certificate and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which the Put Option is being exercised. Any such notice shall be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 15 (*Notices*), so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Noteholders represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

USE OF PROCEEDS

The gross proceeds from this offering will be U.S.\$200,000,000, which, after deducting the underwriting fees and commissions and other expenses in connection with this offering, will be used by the Guarantor, the Company or any member the Group for refinancing of existing indebtedness and general corporate purposes.

EXCHANGE RATE

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. The PBOC also takes into account other factors such as general conditions existing in the international foreign exchange markets.

Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and US dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to US dollars was generally stable. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the SAFE and other relevant authorities. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system. The PBOC authorised the China Foreign Exchange Trading Centre, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 AM each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the US dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the US dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band was expanded to 1.0 per cent. Such floating band was further enlarged from 1.0 per cent. to 2.0 per cent., effective from 17 March 2014, as announced by the PBOC on 15 March 2014. On 11 August 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System, a sub-institutional organization of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. The PRC government may in the future make further adjustments to the exchange rate system.

The following table sets forth the noon buying rates for US dollars in New York City for cable transfers payable in Renminbi as certified by the Federal Reserve Bank of New York for customs purposes for and as at the periods indicated as set forth in the H.10 statistical release of the Federal Reserve Board.

	Noon Buying Rate			
	Low	Average ⁽¹⁾	High	Period End
	(RMB per US\$1.00)			
2012.....	6.2221	6.2990	6.3879	6.2301
2013.....	6.0537	6.1412	6.2438	6.0537
2014.....	6.0402	6.1704	6.2591	6.2046
2015.....	6.1870	6.2827	6.4896	6.4778
2016.....	6.4480	6.6388	6.9580	6.9430
2017.....	6.4773	6.7350	6.9575	6.5063
2018				
January.....	6.2841	6.4233	6.5263	6.2841
February.....	6.2649	6.3183	6.3471	6.3280
March.....	6.2685	6.3174	6.3565	6.2726
April.....	6.2655	6.2949	6.3340	6.3325
May (through to 18 May).....	6.3325	6.3569	6.3768	6.3768

Note:

- (1) Averages are calculated by averaging the rates on the last business day of each month during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

On 31 December 2017, the noon buying rate for U.S. dollars in New York City for cable transfers in Renminbi was US\$1.00 to RMB6.5063 as set forth in the H.10 statistical release of the Federal Reserve Board.

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth the capitalisation and indebtedness of the Group as at 31 December 2017 and as adjusted to give effect to the issue of the Notes. The following table should be read in conjunction with the Group's financial statements and related notes included in this Offering Circular.

	As at 31 December 2017			
	Actual	Actual	As adjusted	As adjusted
	(RMB in millions)	(U.S.\$ in millions)	(RMB in millions)	(U.S.\$ in millions)
Short-term borrowings				
Placements from banks and other financial institutions.....	2,000.00	307.39	2,000.00	307.39
Non-current liabilities due within one year	1,467.96	225.62	1,467.96	225.62
Long-term borrowings				
Bonds payable.....	3,255.37	500.34	3,255.37	500.34
Notes to be issued.....	—	—	1,301.26	200.00
Total borrowings	<u>6,723.33</u>	<u>1,033.36</u>	<u>8,024.59</u>	<u>1,233.36</u>
Paid-in capital	12,000.00	1,844.37	12,000.00	1,844.37
Retained earnings.....	1,953.54	300.25	1,953.54	300.25
Minority interests.....	1,567.85	240.97	1,567.85	240.97
Other owner's equity items⁽¹⁾	<u>3,018.75</u>	<u>463.97</u>	<u>3,018.75</u>	<u>463.97</u>
Total owner's equity	<u>18,540.14</u>	<u>2,849.57</u>	<u>18,540.14</u>	<u>2,849.57</u>
Total capitalisation⁽²⁾	<u>25,263.47</u>	<u>3,882.92</u>	<u>26,564.73</u>	<u>4,082.92</u>

Notes:

- (1) Other owner's equity items include capital reserve, other comprehensive income, surplus reserve, and general risk reserve.
- (2) Total capitalisation equals the sum of total interest-bearing borrowings and total equity.
- (3) For convenience only, all translation from Renminbi into U.S. dollars are made at the rate of RMB6.5063 to U.S.\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 29 December 2017.