

## IMPORTANT NOTICE

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED**

**IMPORTANT: You must read the following before continuing.** The following applies to the preliminary supplemental offering circular following this page (the “**Supplemental Offering Circular**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Supplemental Offering Circular. In accessing the Supplemental 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 OR OTHER JURISDICTION OF THE UNITED STATES. 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 SUPPLEMENTAL 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 ADDRESS IN THE UNITED STATES. 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 Supplemental Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States in reliance on Regulation S under the Securities Act. The Supplemental Offering Circular is being sent at your request and by accepting the e-mail and accessing the Supplemental Offering Circular, you will be deemed to have represented to us that (1) you and any customers you represent are persons outside of the United States and that the electronic mail address that you gave to us and to which the Supplemental Offering Circular has been delivered is not located in the United States and (2) you consent to delivery of the Supplemental Offering Circular by electronic transmission.

The attached document is in preliminary form and 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 information in the attached Supplemental Offering Circular is not complete and may be changed.

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

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer, the Guarantor, the Company, the Joint Lead Managers, the Trustee or the Agents (each as defined in the attached Supplemental 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 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 the Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

The Supplemental 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 none of the Issuer, the Guarantor, the Company, the Joint Lead Managers any person who controls any Joint Lead Manager, any director, officer, employee or agent of the Issuer, the Guarantor, the Company or Joint Lead Manager, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Supplemental 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.

SUBJECT TO COMPLETION

STRICTLY CONFIDENTIAL

PRELIMINARY SUPPLEMENTAL OFFERING CIRCULAR DATED 5 SEPTEMBER 2016

# HUARONG FINANCE II CO., LTD.

(incorporated in the British Virgin Islands with limited liability)

U.S.\$[●] [●] PER CENT. UNSUBORDINATED GUARANTEED PERPETUAL SECURITIES ISSUED  
UNDER THE

U.S.\$11,000,000,000

MEDIUM TERM NOTE PROGRAMME

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY  
CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

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



CHINA HUARONG ASSET MANAGEMENT CO., LTD.

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

(Hong Kong Stock Exchange Stock Code: 2799)

ISSUE PRICE: [●] PER CENT.

This Supplemental Offering Circular is supplemental to, forms part of and must be read and construed in conjunction with, the offering circular dated 20 May 2016 (the "Offering Circular") prepared by Huarong Finance II Co., Ltd. (the "Issuer"), China Huarong International Holdings Limited (the "Guarantor") and China Huarong Asset Management Co., Ltd. (the "Company") in connection with the U.S.\$11,000,000,000 Medium Term Note Programme as described in the Offering Circular (the "Programme"). This Supplemental Offering Circular is prepared for the U.S.\$[●] [●] per cent. unsubordinated guaranteed perpetual securities (the "Securities") to be issued by the Issuer under the Programme. Terms given a defined meaning in the Offering Circular shall, unless the context otherwise requires, have the same meaning when used in this Supplemental Offering Circular. To the extent there is any inconsistency between any statement in this Supplemental Offering Circular and any statement in the Offering Circular, the statement in this Supplemental Offering Circular shall prevail.

The Securities will be unconditionally and irrevocably guaranteed (the "Guarantee of the Securities") by the Guarantor. The Securities will also have the benefit of (i) a keepwell deed dated [●] 2016 given by the Company (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the "Keepwell Deed") and (ii) a deed of equity interest purchase, investment and liquidity support undertaking dated [●] 2016 by the Company (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the "Deed of Undertaking"). Neither the Keepwell Deed nor the Deed of Undertaking constitutes a direct or indirect guarantee of the Securities by the Company.

Pursuant to the Pilot Programme on Promoting the Reform of the Administrative System on the Size of Foreign Debt Issued by Enterprises in 2016 (发展改革委部署2016年度企业外债规模管理改革试点工作) (the "Pilot Programme") issued by the National Development and Reform Commission ("NDRC") on 7 June 2016, the Company, among the 21 pilot enterprises, has been granted a quota of foreign debt to be issued in 2016 (the "Quota") by the NDRC on 27 May 2016. Under the Pilot Programme, as the Securities will be issued within the Quota, the Company is not required to complete the pre-issuance registration in respect of the Securities with the NDRC but is still required to file with the NDRC the requisite information on the issuance of the Securities after the issuance of such Securities. The Company intends to provide the requisite information on the issuance of the Securities to the NDRC within the time period prescribed by the Pilot Programme and the terms of the Quota.

The Securities confer a right to receive distributions (each, a "Distribution") for the period from and including [●] 2016 (the "Issue Date") at the applicable rate described below (the "Distribution Rate"). Subject to the provisions of the Securities relating to deferral of Distribution (see "Terms and Conditions of the Securities — Distributions — Distribution Deferral"), Distributions shall be payable semi-annually in arrear on [●] and [●] of each year (each, a "Distribution Payment Date") commencing on [●] 2017.

Upon the occurrence of a Change of Control Triggering Event, a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event (each as defined in the Terms and Conditions of the Securities (the "Terms and Conditions") and each a "Step-Up Event"), unless (i) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to Holders, the Trustee and the Principal Paying Agent by the 30th day following the occurrence of the relevant Step-Up Event; or (ii) the relevant Step-Up Event is remedied by the 30th day following the occurrence of such relevant Step-Up Event, the Distribution Rate will be increased by 5.00 per cent. per annum with effect from (a) the next Distribution Payment Date immediately following the occurrence of such relevant Step-Up Event or (b) if the date on which such relevant Step-Up Event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, provided that the maximum aggregate increase in the Distribution Rate shall be 5.00 per cent. per annum. See "Terms and Conditions of the Securities — Distribution — Increase in Distribution Rate following occurrence of certain events — Increase in Distribution Rate". If following an increase in the Distribution Rate after a Step-Up Event, such relevant Step-Up Event is cured or no longer exists, upon written notice of such facts being given to the Holders, the Trustee and the Principal Paying Agent, the Distribution Rate will be decreased by 5.00 per cent. per annum with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives notice of the cure of such Step-Up Event, provided that the maximum aggregate decrease in the Distribution Rate shall be 5.00 per cent. per annum, as further described in "Terms and Conditions of the Securities — Distribution — Increase in Distribution Rate following occurrence of certain events — Decrease in Distribution Rate".

Unless previously redeemed in accordance with the terms of the Securities, Distributions (i) from, and including, the Issue Date to, but excluding, [●] (the "First Call Date") shall accrue on the outstanding principal amount of the Securities at a rate of [●] per cent. per annum; and (ii) from, and including, the First Call Date to, but excluding, the Reset Date falling immediately after the First Call Date, and from, and including, each Reset Date falling after the First Call Date, to, but excluding, the immediately following Reset Date, shall accrue on the outstanding principal amount of the Securities at the Relevant Reset Distribution Rate (except expressly provided to the otherwise, capitalised terms used herein shall have the meaning ascribed thereto in "Terms and Conditions of the Securities").

The Issuer may, at its sole discretion, elect to defer, in whole or in part, any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Holders, the Trustee and the Principal Paying Agent in writing not less than seven business days prior to the relevant Distribution Payment Date. Any Distribution so deferred shall constitute "Arrears of Distribution". Each amount of Arrears of Distribution shall accrue distribution as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such distribution (the "Additional Distribution Amount") with respect to Arrears of Distribution shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as described in "Terms and Conditions of the Securities — Distributions — Distribution Deferral — Cumulative Deferral". The Issuer may further defer, in whole or in part, any Arrears of Distribution by complying with the foregoing notice requirements. The Issuer is not subject to any limits as to the number of times any Distributions and Arrears of Distribution can be deferred. See "Terms and Conditions of the Securities — Distributions — Distribution Deferral — Cumulative Deferral".

Unless the Payment Condition (as defined in the Terms and Conditions) has been fully satisfied or the Issuer, the Guarantor or the Company is otherwise permitted to do so by an Extraordinary Resolution of the Holders, the restrictions as described in “*Terms and Conditions of the Securities — Distributions — Distribution Deferral — Restrictions in the case of Deferral*” shall apply.

The Securities 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 unsubordinated and 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 Securities constitutes direct, general, unsubordinated and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsubordinated and 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 Securities will be made free and clear of, and without withholding or deduction for or on account of, taxes of the British Virgin Islands, Hong Kong or the PRC (each, a “**Relevant Jurisdiction**”) to the extent described in “*Terms and Conditions of the Securities — Taxation*”.

The Securities are perpetual securities and have no fixed redemption date. The Issuer may redeem all, but not part, of the Securities on the First Call Date or any Distribution Payment Date after the First Call Date at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)). The Securities may also be redeemed at the option of the Issuer in whole, but not in part, at the relevant prices specified in “*Terms and Conditions of the Securities — Redemption and Purchase*” upon the occurrence of (a) certain changes affecting taxes of any Relevant Jurisdiction, (b) any change or amendment to, or a change or amendment to any interpretation of, the Relevant Accounting Standards such that the Securities must not or must no longer be recorded as “equity” of the Company or the Guarantor pursuant to the Relevant Accounting Standards, (c) a Breach of Covenant Event, (d) a Relevant Indebtedness Default Event, (e) a Change of Control Triggering Event, (f) a Dividend Stopper Breach Event or (g) at least 90 per cent. in principal amount of the Securities originally issued having been redeemed or purchased and cancelled prior to the date fixed for redemption.

Application has been made to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**” or “**SEHK**”) for the listing of the Securities by way of debt issues to professional investors only (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong). This document is for distribution to professional investor only. **Investors should not purchase the Securities in the primary or secondary markets unless they are professional investors and understand the risks involved. The Securities are not suitable for retail investors.**

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

**Investing in the Securities involves risks. See “Risk Factors” beginning on page 12 of this Supplemental Offering Circular and “Risk Factors” beginning on page 12 of the Offering Circular for a description of certain factors to be considered in connection with an investment in the Securities.**

**The Securities and the Guarantee of the Securities 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 Securities and the Guarantee of the Securities and the distribution of the Offering Circular, see “Subscription and Sale”.**

The Securities will be represented by beneficial interests in the global certificate (the “**Global Certificate**”) in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Securities will not be issued in exchange for interests in the Global Certificate.

The Securities are expected to be assigned a rating of “Baal” by Moody’s Investors Service Hong Kong Ltd. (“**Moody’s**”) and a rating of “A-” by Fitch (Hong Kong) Limited (“**Fitch**”). In addition, the Programme has been assigned a rating of “BBB+” by Standard & Poor’s Rating Services (“**S&P**”), a rating of “Baal” by Moody’s and a rating of “A” by Fitch. These ratings are only correct as at the date of this Supplemental Offering Circular. A rating does not constitute a recommendation to buy, sell or hold the Securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

The sections of the Offering Circular entitled “*Offer Structure*”, “*Summary of the Programme*”, “*Forms of the Notes*”, “*Use of Proceeds*”, “*Terms and Conditions of the Notes*”, “*Capitalisation and Indebtedness*”, “*Capitalisation and Indebtedness of the Guarantor*”, “*Form of Pricing Supplement*”, “*Description of the Keepwell Deed*”, “*Description of the Deed of Undertaking*”, “*Summary of Provisions Relating to the Notes While in Global Form*” and “*General Information and Index to Financial Statements*” do not apply to the issuance of the Securities. The sections of the Offering Circular entitled “*Summary*”, “*Risk Factors*”, “*Summary Financial Information of the Group*”, “*Summary Financial Information of the Guarantor*”, “*Description of the Issuer*”, “*Description of the Guarantor*” and “*Description of the Group*” have been supplemented and/or amended with the information in this Supplemental Offering Circular.

The sections of the Offering Circular entitled “*History and Organisation of the Group*”, “*Directors, Supervisors and Senior Management*”, “*Principal Shareholders*”, “*Taxation*”, “*Clearance and Settlement*” and “*Subscription and Sale*” apply to the issuance of the Securities and all references to the “Notes” under these sections of the Offering Circular shall mean the Securities.

This Supplemental Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor, the Company, and the Securities. Each of the Issuer, the Guarantor and the Company accepts full responsibility for the accuracy of the information contained in this Supplemental Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

With effect from the date of this Supplemental Offering Circular in connection with the Securities only the information appearing in the Offering Circular shall be amended and/or supplemented by the inclusion of the information set out below.

### *Joint Global Coordinators*

**HSBC**

**Huarong Financial**

### *Joint Lead Managers and Joint Bookrunners*

<b>HSBC</b>	<b>Huarong Financial</b>	<b>ABC International</b>	<b>ANZ</b>	<b>Bank of China</b>	<b>BOC International</b>	<b>CCB International</b>
<b>CITIC CLSA Securities</b>	<b>China Minsheng Banking Corp. Ltd., Hong Kong Branch</b>	<b>Commerzbank</b>	<b>Credit Suisse</b>			
<b>Goldman Sachs (Asia) L.L.C.</b>	<b>Morgan Stanley</b>	<b>Standard Chartered Bank</b>	<b>Wing Lung Bank Limited</b>			

The date of this Supplemental Offering Circular is [●] 2016

## IMPORTANT NOTICE

Each of the Issuer, the Guarantor and the Company, having made all reasonable enquiries, accepts full responsibility for the accuracy of the information contained in this Supplemental Offering Circular (read together with the Offering Circular) and confirms that to the best of its knowledge and belief (i) this Supplemental Offering Circular contains (read together with the Offering Circular) all information with respect to the Company and its subsidiaries (including the Issuer and the Guarantor) (collectively, the “**Group**”), the Securities, the Guarantee of the Securities, the Keepwell Deed and the Deed of Undertaking which is material in the context of the issue, offering, sale or distribution of the Securities (including all information which, according to the particular nature of the Issuer, the Guarantor, the Company, the Group, the Securities, the Guarantee of the Securities, the Keepwell Deed and the Deed of Undertaking, 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 Securities, the Guarantee of the Securities, the Keepwell Deed and the Deed of Undertaking), (ii) the statements contained in this Supplemental Offering Circular (read together with the Offering Circular) relating to the Issuer, the Guarantor, the Company, the Group, the Securities, the Guarantee of the Securities, the Keepwell Deed and the Deed of Undertaking are in all material respects true and accurate and not misleading, (iii) the statements of intention, opinions, belief or expectation relating to the Issuer, the Guarantor, the Company and the Group expressed in this Supplemental Offering Circular (read together with the Offering Circular) are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other material facts relating to the Issuer, the Guarantor, the Company, the Group, the Securities, the Guarantee of the Securities, the Keepwell Deed and the Deed of Undertaking, the omission of which would, in the context of the issue and offering of the Securities and the giving of the Guarantee of the Securities, the Keepwell Deed and the Deed of Undertaking, make any statement in this Supplemental Offering Circular (read together with the Offering Circular), in light of the circumstances under which they were made, misleading, and (v) 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.

The Securities will be issued on the terms set out herein under “*Terms and Conditions of the Securities*”. This Supplemental Offering Circular and the Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein. This Supplemental Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of the Offering Circular.

The distribution of this Supplemental Offering Circular, the Offering Circular and the offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Supplemental Offering Circular and the Offering Circular comes are required by the Issuer, the Guarantor, the Company, The Hongkong and Shanghai Banking Corporation Limited, Huarong International Securities Limited, ABCI Capital Limited, Australia and New Zealand Banking Group Limited, Bank of China Limited, BOCI Asia Limited, CCB International Capital Limited, CLSA Limited, China Minsheng Banking Corp. Ltd., Hong Kong Branch, Commerzbank AG, Credit Suisse Securities (Europe) Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. International plc, Standard Chartered Bank and Wing Lung Bank Limited (the “**Joint Lead Managers**”) to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Company or the Joint Lead Managers represents that this Supplemental Offering Circular or the Offering Circular may be lawfully distributed, or that any Securities 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 assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Company or the Joint Lead Managers, which would permit a public offering of any Securities or distribution of this Supplemental Offering Circular or the Offering Circular in any jurisdiction where action for such purposes is required. Accordingly, no Securities may be offered or sold, directly or indirectly, and none of this Supplemental Offering Circular, the Offering Circular or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

There are restrictions on the offer and sale of the Securities and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan, Singapore, the British Virgin Islands, Taiwan, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Securities and the distribution of this Supplemental Offering Circular and the Offering Circular, see “*Subscription and Sale*” of the Offering Circular. This Supplemental Offering Circular and the Offering Circular do not constitute an offer of, or an invitation to purchase, any of the Securities in any jurisdiction in which such offer or invitation

would be unlawful. By purchasing any Securities, investors represent and agree to all of those provisions contained in that section of the Offering Circular.

**The Securities may only be offered or sold outside the United States in offshore transactions in reliance on Regulation S. The Securities may be subject to additional selling restrictions.**

No person has been or is authorised in connection with the issue, offer, sale or distribution of the Securities to give any information or to make any representation not contained in or not consistent with this Supplemental Offering Circular, the Offering Circular or any other document entered into in relation to the Programme and the sale of the Securities and, if given or made, such 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 any Agent or any of their respective affiliates (each, as defined in the Terms and Conditions).

Neither the delivery of this Supplemental Offering Circular or the Offering Circular nor the offering, sale or delivery of any Security shall, in any circumstances, create any implication that the information contained in this Supplemental Offering Circular (read together with the Offering Circular) is true subsequent to the date hereof or the date upon which this Supplemental Offering Circular (read together with the Offering Circular) has been most recently amended or supplemented or that there has been no change, or any event reasonably likely to involve any change, in the prospects or financial or trading position of the Issuer, the Guarantor, the Company or the Group since the date thereof or, if later, the date upon which this Supplemental Offering Circular (read together with the Offering Circular) has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Supplemental Offering Circular nor the Offering Circular constitutes an offer or an invitation to subscribe for or purchase any Securities and should not be considered as a recommendation by the Issuer, the Guarantor, the Company, the Joint Lead Managers, the Trustee, the Agents or any director, officer, employee, agent, adviser or affiliate of any such person or any of them that any recipient of this Supplemental Offering Circular or the Offering Circular should subscribe for or purchase any Securities. Each recipient of this Supplemental Offering Circular or the Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Guarantor, the Company and/or the Group.

The maximum aggregate principal amount of the Securities and the Notes outstanding at any one time under the Programme will not exceed U.S.\$11,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into United States dollars at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement), *provided that*, the maximum aggregate principal amount of the Securities and the Notes, which may be outstanding at any one time under the Programme, may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under “*Subscription and Sale*”.

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 or advisers as to the accuracy, completeness or sufficiency of the information contained in this Supplemental Offering Circular (read together with the Offering Circular) or any other information supplied in connection with the Securities, the Guarantee of the Securities, the Keepwell Deed or the Deed of Undertaking, and nothing contained in this Supplemental Offering Circular (read together with the 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 or advisers. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors or advisers have not independently verified any of the information contained in this Supplemental Offering Circular (read together with the 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 or any Agent or any director, officer, employee, agent or affiliate of any such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Supplemental Offering Circular (read together with the Offering Circular) or the contents of this Supplemental Offering Circular (read together with the Offering Circular) or for any other statement made or purported to be made by the Joint Lead Managers, the Trustee, any Agent, or any director, officer, employee, agent, adviser or affiliate of any such person or on its behalf in connection with the Issuer, the Guarantor, the Company, the Group, the Keepwell Deed, the Deed of Undertaking, the Guarantee of the Securities, the Securities or the issue and offering of the Securities. The Joint Lead Managers, the Trustee, each Agent and each of their respective affiliates, directors or advisers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Supplemental Offering Circular, the Offering Circular or any such statement.

**In connection with the issue of the Securities, the Joint Lead Managers (if any) named as the stabilising manager(s) (the “Stabilising Manager(s)”) (or persons acting on behalf of any Stabilising Manager(s)) may, to the extent permitted by applicable laws and rules, over allot the Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising 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 Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities.**

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, 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 Securities. Any of the Joint Lead Managers and their respective affiliates may purchase the Securities 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 Securities 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 Securities 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 Securities to which this Supplemental Offering Circular (read together with the Offering Circular) relates (notwithstanding that such selected counterparties may also be purchasers of the Securities). Furthermore, investors in the Securities may include entities affiliated with the Group. Investors are advised to read and understand the contents of this Supplemental Offering Circular before investing. If in doubt, investors should consult his or her adviser.

The Issuer, the Guarantor, the Company, the Group, the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors or advisers are not making any representation to any purchaser of the Securities regarding the legality of any investment in the Securities by such purchaser under any legal investment or similar laws or regulations. The contents of this Supplemental Offering Circular (read together with the Offering Circular) should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Supplemental Offering Circular or the Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors or advisers in connection with its investigation of the accuracy of such information or its investment decision.

This Supplemental Offering Circular (read together with the Offering Circular) does not describe all of the risks and investment considerations (including those relating to each investor’s particular circumstances) of an investment in Securities of a particular issue. The risks and investment considerations identified in this Supplemental Offering Circular and the Offering Circular are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of the Securities and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Supplemental Offering Circular, the Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Company, the Joint Lead Managers, the Trustee or the Agents or any director, officer, employee, agent, adviser or affiliate of any such person that any recipient, of this Supplemental Offering Circular, the Offering Circular or of any such information, should purchase the Securities. Each potential purchaser of the Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Guarantor, the Company and the Group. Each potential purchaser of the Securities should determine for itself the relevance of the information contained in this Supplemental Offering Circular (read together with the Offering Circular) and its purchase of the Securities should be based upon such investigation, as it deems necessary. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors 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 Securities remain outstanding nor to advise any investor or potential investor of the Securities of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors or advisers.

Market data and certain industry forecasts and statistics in this Supplemental Offering Circular (read together with the 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, Trustee or the Agents or their respective directors, advisers and affiliates, and none of the Issuer, the Guarantor, the Company, the Joint Lead Managers, the Trustee or the Agents or their respective directors and affiliates, advisers or employees makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Supplemental Offering Circular (read together with the 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 Supplemental Offering Circular (read together with the 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 Supplemental Offering Circular (read together with the 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 years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2015 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants (collectively, the “**Group’s Audited Financial Statements**”), which are included elsewhere in the Offering Circular, have been prepared and presented in accordance with International Financial Reporting Standards (“**IFRS**”). The unaudited but reviewed consolidated financial information of the Group as at and for the six months ended 30 June 2016 (the “**Group’s Unaudited Interim Financial Information**”) which are incorporated by reference in the Offering Circular and this Supplemental Offering Circular have been prepared and presented in accordance with IFRS and have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants.

The audited consolidated financial statements of the Guarantor and its subsidiaries (the “**Guarantor Group**”) as at 31 December 2013, 2014 and 2015 and for the period from 2 January 2013 (date of incorporation) to 31 December 2013 and the years ended 31 December 2014 and 2015 (the “**Guarantor’s Audited Financial Statements**”), which are included elsewhere in the Offering Circular, have been prepared and presented in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants. The unaudited but reviewed consolidated financial statements of the Guarantor Group as at and for the six months ended 30 June 2015 and 2016 (the “**Guarantor’s Unaudited Interim Financial Statements**”) which are included elsewhere in this Supplemental Offering Circular have been prepared and presented in accordance with HKFRS and have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants.

## CERTAIN DEFINITIONS AND CONVENTIONS

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

In this Supplemental Offering Circular, where information has been presented in thousands, millions, or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the 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.

Solely for convenience, this Supplemental Offering Circular contains translations of certain Hong Kong dollar amounts and Renminbi amounts into U.S. dollars amounts. Unless indicated otherwise, the translation of Hong Kong dollar amounts and Renminbi amounts into U.S. dollars amounts has been made at the rate of

HK\$7.7591 to U.S.\$1.00 and RMB6.6459 to U.S.\$1.00, respectively, the exchange rates set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 June 2016. These translations should not be construed as representations that the Hong Kong dollar or Renminbi amounts could actually be converted into any U.S. dollars amounts at the rates indicated or at all.

Unless specified otherwise, references in this Supplemental Offering Circular to, and financial and other information presented with respect to, the Group are to such information of the Company compiled on a consolidated basis.

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



## CONTENTS

	<u>Page</u>
OFFER STRUCTURE .....	1
THE OFFERING .....	5
RISK FACTORS .....	12
SUMMARY FINANCIAL INFORMATION OF THE GROUP .....	24
SUMMARY FINANCIAL INFORMATION OF THE GUARANTOR .....	26
USE OF PROCEEDS .....	28
TERMS AND CONDITIONS OF THE SECURITIES .....	29
SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM .....	54
CAPITALISATION AND INDEBTEDNESS .....	55
RECENT DEVELOPMENT OF THE ISSUER .....	57
RECENT DEVELOPMENT OF THE GUARANTOR .....	58
RECENT DEVELOPMENT OF THE GROUP .....	59
GENERAL INFORMATION .....	61
INDEX TO FINANCIAL STATEMENTS .....	F-1

## OFFER STRUCTURE

*The following is a description of the structure of the offering, which should be read in conjunction with the sections in this Supplemental Offering Circular entitled “Risk Factors” and “Terms and Conditions of the Securities”. Unless otherwise defined herein, defined terms used in this section shall have the meanings given to them in the Terms and Conditions of the Securities, the Keepwell Deed and the Deed of Undertaking, as the context may require.*

### THE SECURITIES AND THE GUARANTEE OF THE SECURITIES

The Securities will be issued by the Issuer under the Programme. The Securities 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 unsubordinated and 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.

On the Issue Date, the Securities will have the benefit of the Guarantee of the Securities by the Guarantor. Pursuant to the Guarantee of the Securities, the Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all sums expressed to be payable by the Issuer in respect of the Securities. The Guarantee of the Securities will constitute direct, general, unsubordinated and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsubordinated and 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.

The Issuer is incorporated in the British Virgin Islands and is a direct, wholly owned subsidiary of the Guarantor. The Guarantor is incorporated in Hong Kong and is a wholly owned subsidiary of the Company. The Guarantor represents the primary overseas investment holding subsidiary and fund raising platform of the Company and all senior management of the Guarantor is appointed by the Company.

### THE KEEPWELL DEED

The Issuer, the Guarantor and the Company have executed the Keepwell Deed in respect of the Securities in favour of the Issuer, the Guarantor and the Trustee.

#### Positioning of the Guarantor; Ownership of the Issuer and the Guarantor

Pursuant to the Keepwell Deed, the Company has undertaken with the Issuer, the Guarantor and the Trustee:

- to maintain the Guarantor as the primary overseas investment holding Subsidiary and fund raising platform of the Company and to directly or indirectly appoint all senior management of the Guarantor; and
- to directly or indirectly own and hold at least 50.1 per cent. of the Voting Shares of each of the Issuer and the Guarantor and not to directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such minimum requisite shares unless required to dispose of any or all such shares pursuant to a court decree or order of any government authority, in each case, not obtained at the direction or request of the Issuer, the Guarantor or the Company (and which, in the opinion of an independent legal adviser to the Company of international standing, may not be successfully challenged) or as permitted under the Trust Deed.

#### Maintenance of Consolidated Net Worth; Liquidity

Pursuant to the Keepwell Deed, the Company has undertaken:

- to procure each of the Issuer and the Guarantor to have a Consolidated Net Worth of at least U.S.\$1.00 at all times;

- to procure each of the Issuer and the Guarantor to have sufficient liquidity to make timely payment of any amounts payable by it under or in respect of the Securities and the Guarantee of the Securities in accordance with the Terms and Conditions and/or the Trust Deed; and
- to procure each of the Issuer and the Guarantor to remain solvent and a going concern at all times under the laws of its respective jurisdiction of incorporation or applicable accounting standards.

### **Negative Pledge**

Pursuant to the Keepwell Deed, the Company has further undertaken to the Trustee that the Company shall comply with Condition 3(a) of the Terms and Conditions as if all references to “the Guarantor” therein were replaced with “the Company” and all references to “Guarantor Subsidiary” therein shall be replaced with “Subsidiary”; *provided that* as regards (i) the Issuer and the Guarantor, such Condition will continue to apply to the Guarantor and the Guarantor Subsidiaries; and (ii) the Company and its Subsidiaries (other than the Guarantor and the Guarantor Subsidiaries), the restrictions set forth in such Condition will in addition not apply to any Security Interest upon the Company’s or such Subsidiaries’ property or assets, at any time, to secure any Relevant Indebtedness outside the PRC of the Company or its other Subsidiaries only to the extent that the book value of such property or assets is less than five per cent. of the Total Assets of the Company.

For the purposes of the Keepwell Deed, “**Total Assets**” means the consolidated total assets of the Company and its Subsidiaries calculated by reference to the then consolidated financial statements of the Company (which can be internal financial statements, if not audited).

### **Other Covenants**

Pursuant to the Keepwell Deed, the Company has undertaken:

- to procure that the articles of association of each of the Issuer and the Guarantor shall not be amended in a manner that is, directly or indirectly, adverse to the Holders in any material respect;
- to cause each of the Issuer and the Guarantor to remain in full compliance with the Terms and Conditions, the Guarantee of the Securities, the Trust Deed, the Agency Agreement, the Deed of Undertaking and all applicable rules and regulations in the British Virgin Islands, Hong Kong and England, in each case in all material respects;
- promptly to take any and all action necessary to comply with its obligations under the Keepwell Deed, the Trust Deed, the Agency Agreement and the Deed of Undertaking in all material respects;
- to ensure that the Issuer has sufficient funds to meet its obligations with respect to any and all fees, expenses and obligations of the Issuer, including but not limited to fees and expenses with respect to the corporate formation and administration of the Issuer;
- to cause each of the Issuer and the Guarantor to take all action necessary in a timely manner to comply with its obligations under the Keepwell Deed and the Deed of Undertaking in all material respects;
- to ensure that the Guarantor and the Issuer will comply with Condition 3(c) of the Terms and Conditions;
- to procure that the Issuer will conduct no business or any other activities other than the offering, sale or issuance of bonds, notes or other securities (including any further securities issued in accordance with Condition 15 of the Terms and Conditions), the lending of the proceeds thereof to the Guarantor or a subsidiary of the Company, directly or indirectly, and located in a jurisdiction outside the PRC, to cause such borrower to pay the interest and principal in respect of such intercompany loan on time, the maintenance of the Issuer’s corporate existence and any other activities in connection therewith; and
- to the extent a Subsidiary lends, novates or assigns any of the Proceeds of the Securities it receives from the Issuer, to cause such Subsidiary to lend, novate or assign such Proceeds of the Securities only to other Subsidiaries.

Notwithstanding anything contained in the Keepwell Deed, if, and to the extent that the Company is required to obtain any Regulatory Approvals in order to comply with its obligations under the Keepwell Deed, the performance of such obligation will always be qualified by, and subject to, the Company having obtained such Regulatory Approvals. In this regard, the Company has undertaken in the Keepwell Deed to use all reasonable efforts to obtain such Regulatory Approvals within the time stipulated by the relevant Approval Authorities, if applicable.

The Keepwell Deed will not, and nothing therein contained and nothing done pursuant thereto by the Company will be deemed to constitute, a guarantee by, or any legal binding obligation of, the Company of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of the Issuer or the Guarantor under the laws of any jurisdiction. Accordingly, pursuant to the terms of the Keepwell Deed, the Company will only be obliged to make sufficient funds available to the Issuer and the Guarantor, rather than assume the payment obligation as in the case of a guarantee. See *“Risk Factors — Neither the Keepwell Deed nor the Deed of Undertaking from the Company is a guarantee of the payment obligations of the Issuer and the Guarantor under the Securities and the Guarantee of the Securities.”*

### **THE DEED OF UNDERTAKING**

The Company has executed the Deed of Undertaking in respect of the Securities in favour of the Issuer, the Guarantor and the Trustee. While the Keepwell Deed contains a general obligation requiring the Company to ensure that the Issuer and the Guarantor have sufficient liquidity to make timely payment of any amounts payable by each of them under or in respect of the Securities and the Guarantee of the Securities, the Deed of Undertaking provides specified means by which the Company could assist the Issuer and the Guarantor in meeting their respective obligations under the Securities, the Guarantee of the Securities and the Trust Deed upon the occurrence of an Enforcement Event.

Under the Deed of Undertaking, the Company has undertaken to the Issuer, the Guarantor and the Trustee that upon receipt of a written notice from the Trustee following the occurrence of an Enforcement Event under the Securities (the **“Trigger Notice”**), the Company will:

- provide liquidity support in U.S. dollar to the Issuer and/or the Guarantor (the **“Liquidity Support”**) and procure remittance of the Shortfall Amount (as defined below) to the Issuer and/or the Guarantor;
- invest (either by itself or through a Subsidiary of the Company as designated by it (the **“Designated Investor”**)) in the Issuer or, as the case may be, the Guarantor (by equity investment or otherwise) in an amount equal to the Shortfall Amount on the Investment Closing Date (the **“Investment”**); and
- purchase or procure an Onshore Subsidiary of the Company to purchase (the **“Purchaser”**) Equity Interests held by the Guarantor or any other Offshore Subsidiary of the Company (the **“Purchase”**),

in each case, subject to it having obtained all relevant Regulatory Approvals (which the Company has undertaken to use all reasonable efforts to obtain and in the case of the Purchase from the Guarantor, subject to the Purchase being carried out on an arm’s length basis in good faith at the full market value of the relevant Equity Interest), so as to enable the Guarantor or the Issuer to discharge in full in accordance with all applicable laws their respective obligations under the Securities, the Guarantee of the Securities, the Agency Agreement and the Trust Deed that are due and owing (including without limitation the principal amount of the Securities then outstanding and any Distributions due and unpaid and/or accrued but unpaid on the Securities and including, for the avoidance of doubt, any Arrears of Distribution and Additional Distribution Amount) and their payment obligations in respect of all costs, fees and expenses and other amounts to the Trustee and/or the Agents under or in connection with the Securities, the Guarantee of the Securities, the Trust Deed, the Agency Agreement, the Keepwell Deed and/or this Deed.

For the purposes of the Deed of Undertaking, **“Shortfall Amount”** means, at any time upon the occurrence of an Enforcement Event, the aggregate of the following amounts, subject to all applicable laws: (i) an amount in U.S. dollars not less than that sufficient to enable the Issuer and the Guarantor to discharge in full their respective obligations under the Securities, the Guarantee of the Securities, the Agency Agreement and the Trust Deed that are due and owing (including without limitation the principal amount of the Securities then outstanding and any

Distributions due and unpaid and/or accrued but unpaid on the Securities and including, for the avoidance of doubt, any Arrears of Distribution and Additional Distribution Amount); plus (ii) all costs, fees and expenses and other amounts payable in U.S. dollars to the Trustee and/or the Agents under or in connection with the Securities, the Guarantee of the Securities, the Trust Deed, the Agency Agreement, the Keepwell Deed and/or this Deed that are due and owing as at the date of such Trigger Notice plus provisions for fees and expenses of the Trustee and/or Agents which may be incurred after the date of the Trigger Notice in accordance with the Securities, the Guarantee of the Securities, the Trust Deed, the Agency Agreement, the Keepwell Deed and/or this Deed, as notified by the Trustee in the Trigger Notice, in connection with the recovery of amounts due under part (i) above.

The aggregate purchase price for the relevant Equity Interest(s) being the subject of the Purchase (the “**Purchase Price**”) will be determined by the Company within 20 Business Days after the date of the Trigger Notice, in accordance with any applicable PRC laws and regulations effective at the time of determination and the other applicable terms relating to the Purchase, *provided that* the relevant Purchase Price shall be no less than the Shortfall Amount and in the case of the Purchase from the Guarantor, the Purchase Price shall be no less than the full market value of the Equity Interest at the time of determination.

The Company has undertaken to, and will undertake to procure each Relevant Transferor to, use all reasonable efforts to do all such things and take all such actions as may be necessary or desirable to procure the completion of the Purchase on the relevant Purchase Closing Date, providing information and applying with a view to obtaining for Relevant Approvals as soon as reasonably practicable within three months from the date of the Trigger Notice and procure the remittance of the sum of the Purchase Price to or to the order of the Relevant Transferor(s).

The Company has undertaken to, and will undertake to procure the Issuer or, as the case may be, the Guarantor to, use its reasonable efforts to do all such things and take all such actions as may be necessary to obtain the relevant Regulatory Approvals as soon as reasonably practicable, to procure the completion of the Investment no later than the date falling 120 days from the date of the Trigger Notice and to procure the remittance of the sum of the Shortfall Amount to or to the order of the Issuer (or the Guarantor, as the case may be).

The Trustee may, at any time in its sole and absolute discretion, discuss with the Company on the choice(s) of remedy(ies) under the Deed of Undertaking based on the then facts and circumstances. The Company has acknowledged in the Deed of Undertaking that such option to discuss is completely at the discretion of the Trustee and any failure or election by the Trustee to not undertake such discussions will not in any manner limit the Trustee’s ability to take remedial or enforcement action against the Company.

Notwithstanding anything contained in the Deed of Undertaking, if, and to the extent that the Company is required to obtain any Regulatory Approvals in order to comply with its obligations therein, the performance of such obligation will always be qualified by, and subject to, the Company having obtained such Regulatory Approvals. In this regard, the Company has undertaken to use all reasonable efforts to obtain such Regulatory Approvals within the time stipulated by the relevant Approval Authorities, if applicable.

The Deed of Undertaking will not, and nothing therein contained and nothing done pursuant thereto by the Company will be deemed to constitute, a guarantee by, or any legal binding obligation of, the Company of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of the Issuer or the Guarantor under the laws of any jurisdiction. See “*Risk Factors — Neither the Keepwell Deed nor the Deed of Undertaking from the Company is a guarantee of the payment obligations of the Issuer and the Guarantor under the Securities and the Guarantee of the Securities*”, “*Risk Factors — Performance by the Company of its undertaking under the Deed of Undertaking is subject to approvals of the PRC governmental authorities and certain limitations*” and “*Risk Factors — Performance by the Company of its undertaking under the Deed of 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*”.

## THE OFFERING

*This summary must be read as an introduction to this Supplemental Offering Circular and any decision to invest in the Securities should be based on a consideration of the Supplemental Offering Circular (read together with the Offering Circular) as a whole, including any information incorporated by reference. Words and expressions defined in the “Terms and Conditions of the Securities” have the same meanings in this summary.*

<b>Issuer</b> .....	Huarong Finance II Co., Ltd.
<b>Guarantor</b> .....	China Huarong International Holdings Limited
<b>Company</b> .....	China Huarong Asset Management Co., Ltd.
<b>Issue</b> .....	U.S.\$[●] [●] per cent. Unsubordinated Guaranteed Perpetual Securities.
<b>Guarantee</b> .....	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 Securities.
<b>Issue Price</b> .....	[●] per cent.
<b>Form and Denomination</b> .....	The Securities will be issued in registered form and in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Distribution</b> .....	Subject to Condition 4(d) of the Terms and Conditions, the Securities confer a right to receive distribution (each a “ <b>Distribution</b> ”) from, and including the Issue Date at the Distribution Rate in accordance with Condition 4 of the Terms and Conditions. Subject to Condition 4(d) of the Terms and Conditions, Distribution shall be payable on the Securities semi-annually in arrear on [●] and [●] of each year (each, a “ <b>Distribution Payment Date</b> ”), commencing on [●] 2017.
<b>Distribution Rate</b> .....	(a) Subject to any increase pursuant to Condition 4(e) of the Terms and Conditions, the rate of distribution (“ <b>Distribution Rate</b> ”) applicable to the Securities shall be:  (i) in respect of each Distribution Payment Date, the period from, and including, the Issue Date to, but excluding, [●] (the “ <b>First Call Date</b> ”), the Initial Distribution Rate; and  (ii) in respect of the period (A) from, and including the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.

Pursuant to Condition 4(e) of the Terms and Conditions, upon the occurrence of a Step-Up Event, unless (x) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to

Holders (in accordance with Condition 15 of the Terms and Conditions), the Trustee and the Principal Paying Agent pursuant to Condition 5 of the Terms and Conditions by the 30th day following the occurrence of the relevant Step-Up Event or (y) the relevant Step-Up Event is remedied by the 30th day following the occurrence of such relevant Step-Up Event, the Distribution Rate will increase by 5.00 per cent. per annum with effect from (a) the next Distribution Payment Date immediately following the occurrence of the relevant Step-Up Event or (b) if the date on which the relevant Step-Up Event (as applicable) occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, **provided that** the maximum aggregate increase in the Distribution Rate shall be 5.00 per cent. per annum, as further described in “*Terms and Conditions of the Securities — Distribution — Increase in Distribution Rate following occurrence of certain events*”.

If following an increase in the Distribution Rate after a Step-Up Event, such Step-Up Event is cured or no longer exists, upon written notice of such facts being given to the Holders (in accordance with Condition 15), the Trustee and the Principal Paying Agent, the Distribution Rate shall be decreased by 5.00 per cent. per annum with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives notice of the cure of such Step-Up Event *provided that* the maximum aggregate decrease in the Distribution Rate shall be 5.00 per cent. per annum.

**Distribution Deferral** .....

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an “**Optional Deferral Notice**”) to the Holders (in accordance with Condition 15 of the Terms and Conditions), the Trustee and the Principal Paying Agent in writing not less than seven business days prior to the relevant Distribution Payment Date (a “**Optional Deferral Event**”).

**No Obligation to Pay** .....

The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(d)(i) of the Terms and Conditions and notwithstanding any other provisions of the Terms and Conditions or the Trust Deed, the deferral of any Distribution payment in accordance with Condition 4(d) of the Terms and Conditions shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 8 of the Terms and Conditions) on the part of the Issuer, the Guarantor or the Company under the Guarantee of the Securities, the Keepwell Deed or the Deed of Undertaking or for any other purpose.

**Cumulative Deferral** .....

Any Distribution deferred pursuant to Condition 4(d) of the Terms and Conditions shall constitute “**Arrears of Distribution**”. Each amount of Arrears of Distribution shall accrue distribution as if it constituted the principal of the Securities at the prevailing Distribution Rate. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining

unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

The Issuer may, at its sole discretion, elect (in the circumstances set out in Condition 4(d)(i) of the Terms and Conditions) to further defer (in whole or in part) any Arrears of Distribution by complying with the notice requirement applicable to any deferral of Distribution set out in the Terms and Conditions and is not subject to any limit as to the number of times Distribution and Arrears of Distribution can be deferred.

**Restrictions in the case of Deferral . . . .**

Each of the Issuer, the Guarantor and the Company undertakes, and will undertake to procure the Issuer, the Guarantor, the Subsidiaries of the Guarantor and the Subsidiaries of the Company, unless the Payment Condition has been fully satisfied or the Issuer, the Guarantor, the Company and/or the relevant Subsidiary is otherwise permitted to do so by an Extraordinary Resolution of the Holders:

- (A) not to declare or pay any discretionary dividends or distributions or make any other discretionary payment, and will procure that no discretionary dividend, distribution or other discretionary payment is made, in each case, on any Parity Securities or Junior Securities of the Issuer, the Guarantor or the Company (except (i) in relation to the Parity Securities of the Issuer, the Guarantor or the Company, as the case may be, on a *pro rata* basis, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); and
- (B) not, at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Issuer, the Guarantor or the Company (except (i) in relation to the Parity Securities of the Issuer, the Guarantor or the Company, as the case may be, on a *pro rata* basis, (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (iii) as a result of the exchange or conversion of such Parity Securities for the Junior Securities of the Issuer, the Guarantor or the Company, as the case may be).

**Issue Date** ..... [●] 2016.

**Maturity Date** ..... There is no maturity date.

**Status of Securities and Guarantee of the Securities** ..... The Securities constitute direct, general, unsubordinated and unconditional of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and 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 Securities constitutes direct, general, unsubordinated and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other



present and future unsubordinated and 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.

**Taxation** .....

All payments of principal, premium (if any) and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities and/or the Guarantee of the Securities 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 (the “**Taxes**”) imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong or the PRC, in each case including any political subdivision, territory or possession thereof, and any authority therein having power to tax (each as applicable, a “**Relevant Jurisdiction**”), 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 (as the case may be) the Guarantor as a result of the Issuer or the Guarantor being deemed by PRC tax authorities to be a PRC tax resident, at the rate applicable on [●] (the “**Applicable Rate**”), the Issuer or the Guarantor, as the case may be, will pay such additional amounts to the extent required, as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

In the event the Issuer or 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 Hong Kong or 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 Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Amounts referred to in Condition 7 of the Terms and Conditions shall be payable in respect of any Securities in the limited circumstances as further described therein.

**Redemption at the Option of the Issuer** .....

The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days’ irrevocable notice (in accordance with Condition 15 of the Terms and Conditions) to the Trustee, the Principal Paying Agent and the Holders at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) on the First Call Date or on any Distribution Payment Date after the First Call Date.

**Redemption for Tax Reasons** .....

The Issuer may redeem the Securities in whole, but not in part, on giving not less than 30 nor more than 60 days’ irrevocable notice to the Holders, at their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), in the event of certain changes affecting the taxes of any Relevant Jurisdiction, as further described in Condition 5(c) of the Terms and Conditions.

**Redemption for Change of Control . . . .**

Following the occurrence of a Change of Control Triggering Event, the Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice (in accordance with Condition 15 of the Terms and Conditions) to the Trustee, the Principal Paying Agent and the Holders at a redemption price equal to (i) 101 per cent. of their principal amount together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or (ii) their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date, as further described in Condition 5(e) of the Terms and Conditions.

**Redemption for Accounting  
Reasons . . . . .**

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving not less than 30 nor more than 60 days' irrevocable notice (in accordance with Condition 15 of the Terms and Conditions) to the Trustee, the Holders and the Principal Paying Agent at (a) 101 per cent. of their principal amount together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or (b) their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date, if, immediately before giving such notice, the Issuer satisfies the Trustee that as a result of any changes or amendments to, or a change or amendment to any interpretation of, the Relevant Accounting Standards, the Securities must not or must no longer be recorded as "equity" of the Company or the Guarantor pursuant to the Relevant Accounting Standards.

**Redemption on the occurrence of a  
Breach of Covenant Event a  
Relevant Indebtedness Default  
Event or a Dividend Stopper Breach  
Event . . . . .**

The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice (in accordance with Condition 15 of the Terms and Conditions) to the Trustee, the Principal Paying Agent and the Holders at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) upon the occurrence of a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event.

**Redemption for Minimum  
Outstanding Amount . . . . .**

The Securities 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' irrevocable notice (in accordance with Condition 15 of the Terms and Conditions) to the Trustee, the Principal Paying Agent and the Holders at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if prior to the date fixed for redemption at least 90 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled.

**Limited rights to institute proceedings .....**

No Holder shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the Winding-Up of the Issuer or the Guarantor or claim in the liquidation of the Issuer, the Guarantor or the Company or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer, the Guarantor or the Company as those which the Trustee is entitled to exercise as set out in Condition 8 of the Terms and Conditions.

**Proceedings for Winding-Up .....**

(i) If (A) there is a Winding-Up of the Issuer or the Guarantor or (B) the Issuer or the Guarantor shall not make payment in respect of the Securities, the Guarantee of the Securities or under the Trust Deed, for a period of 14 days or more after the date on which such payment is due, the Issuer and the Guarantor shall be deemed to be in default under the Trust Deed, the Guarantee of the Securities and the Securities and the Trustee may, subject to the provisions of Condition 8(d) of the Terms and Conditions, institute proceedings for the Winding-Up of the Issuer or the Guarantor, prove in the Winding-Up of the Issuer or the Guarantor or claim in the liquidation of the Issuer or the Guarantor for such payment.

(ii) Without prejudice to Condition 8(b)(i) of the Terms and Conditions, if there is a Winding-Up of the Company, the Company shall be deemed to be in default under the Trust Deed, the Keepwell Deed and the Deed of Undertaking and the Trustee may, subject to the provisions of Condition 8(d) of the Terms and Conditions, prove in the Winding-Up of the Company or claim in the liquidation of the Company in accordance with applicable law for payment of any sum due under the Trust Deed, the Keepwell Deed and the Deed of Undertaking.

**Clearing Systems .....**

The Securities will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Securities will not be issued in exchange for beneficial interests in the Global Certificate.

**Clearance and Settlement .....**

The Securities have been accepted for clearance by Euroclear and Clearstream under the following codes:

ISIN: XS1486060483

Common Code: 14860648

**Governing Law .....**

English law.

**Principal Paying Agent, Paying Agent .....**

The Bank of New York Mellon, London Branch.

**Registrar .....**

The Bank of New York Mellon (Luxembourg) S.A.

<b>Transfer Agent</b> .....	The Bank of New York Mellon (Luxembourg) S.A.
<b>Listing</b> .....	Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Securities on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Securities on the Hong Kong Stock Exchange will commence on [●] 2016.
<b>Rating</b> .....	The Securities are expected to be assigned a rating of “Baa1” by Moody’s and a rating of “A-” by Fitch. Security ratings are not recommendations to buy, sell or hold the Securities. Ratings are subject to revision or withdrawal at any time by the rating agencies.
<b>Use of Proceeds</b> .....	See “ <i>Use of Proceeds</i> ”

## RISK FACTORS

*Any investment in the Securities involves a high degree of risk. You should consider carefully the following information about the risks described below, together with the other relevant information contained in this Supplemental Offering Circular (read together with the Offering Circular), before making an investment decision. If any of the following risks actually occurs, the Group's business, financial condition, results of operations or prospects could be materially and adversely affected. Additional risks or uncertainties not presently known to the Group, or that it currently deems immaterial, may also impair its business operations. There can be no assurance that any of the events discussed in the risk factors below will not occur and if such events do occur, the investors may lose all or part of your original investment in the Securities.*

***For the purpose of the Securities only, the risk factors under the sub-sections entitled "RISKS RELATING TO NOTES ISSUED UNDER THE PROGRAMME AND THE GUARANTEE OF THE NOTES" and "RISKS RELATING TO THE KEEPWELL DEED AND THE DEED OF UNDERTAKING" from page 48 to page 57 of the Offering Circular shall be deleted in its entirety and replaced with the following:***

### **RISKS RELATING TO SECURITIES AND THE GUARANTEE OF THE SECURITIES**

***The Securities and the Guarantee of the Securities are unsecured obligations.***

As the Securities and the Guarantee of the Securities are unsecured obligations, their repayment 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, as the case may be, the Guarantor's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Securities.

***There are exceptions to the restrictive operating covenants relating to the Securities.***

The Trust Deed will contain various covenants intended to benefit the Holders that limit the ability of the Issuer, the Guarantor or, as the case may be, the Company to, among other things, create Security Interests (as defined in the Terms and Conditions) outside the PRC. Under such covenants, however, the Company and its subsidiaries (other than the Guarantor and its subsidiaries) may create Security Interests on up to five per cent. of the Group's total assets to secure any Relevant Indebtedness outside the PRC without securing the Securities at least equally and ratably therewith. If the Company or such subsidiary does so, the Securities and the Guarantee of the Securities will be effectively subordinated to such Relevant Indebtedness to the extent of the value of assets serving as security therefor.

***Securities may not be a suitable investment for all investors.***

The Securities are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of such Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in any Securities 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 relevant Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Supplemental 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 Securities 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 Securities, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

***Legal investment considerations may restrict certain investments.***

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

***The Securities have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.***

The Securities will be new securities which may not be widely distributed and for which there is currently no active trading market. If the Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer, the Guarantor, the Company or the Group. If the Securities are trading at a discount, investors may not be able to receive a favourable price for their Securities, and in some circumstances investors may not be able to sell their Securities at all or at their fair market value. Although an application has been made for the Securities to be listed on, and permitted to deal in, the SEHK, there is no assurance that such application will be accepted, that the Securities will be so listed or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Securities. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for the Securities.

***The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the SEHK, which standards may be different from those applicable to companies in certain other countries.***

The Issuer will be subject to reporting obligations in respect of the Securities to be listed on the SEHK. The disclosure standards imposed by the SEHK may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to the level that Holders are accustomed to.

***There may be less publicly available information about the Issuer or the Guarantor.***

Each of the Issuer and the Guarantor is a private company not listed on any stock exchange. There may be less publicly available information about the Issuer, the Guarantor and their respective subsidiaries than is regularly made available by public companies in certain other countries unless the Offering Circular and this Supplemental Offering Circular are updated periodically to include the most recent financial results. It may not contain the most updated financial information of the Issuer or the Guarantor.

***The ratings of the Programme or the Securities may be downgraded or withdrawn.***

The Programme is assigned a rating of "Baa1" by Moody's, "BBB+" by S&P and "A" by Fitch. The Securities are expected to be assigned a rating of "Baa1" by Moody's and "A-" by Fitch. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer, the Guarantor and the Company to perform

their respective obligations under the Securities, the Guarantee of the Securities, the Keepwell Deed and the Deed of Undertaking and credit risks in determining the likelihood that payments will be made when due under the Securities. A rating is not a recommendation to buy, sell or hold the Securities and may be subject to suspension, reduction or withdrawn at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the Securities and the Issuer's, Guarantor's or the Company's ability to access the debt capital markets.

***Any downgrading of the Company's corporate ratings, or those of its subsidiaries, by rating agencies could adversely affect the Group's business and the Group's liquidity.***

Any adverse revision to the Company's corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies such as Fitch, Moody's and S&P may adversely affect the Group's business, its financial performance and the trading price of the Securities. Further, the Group's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity.

***The credit ratings assigned to the Securities may not reflect all risks.***

The Securities are expected to be assigned a rating of "Baa1" by Moody's and "A-" by Fitch. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Securities will remain in effect for any given period or that the ratings will not be revised or withdrawn by the rating agencies in the future if, in their judgement, the circumstances so warrant. The Group has no obligation to inform holders of the Securities of any such suspension, revision, downgrade or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Securities at any time may adversely affect the market price of the Securities.

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

The Holders 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 Securities, resulting in a capital loss for the Holders. However, the Holders may reinvest the Distribution payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Securities may rise. The Holders may enjoy a capital gain but Distribution payments received may be reinvested at lower prevailing interest rates.

***Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.***

The Issuer and the Guarantor will pay principal and Distribution on the Securities in the currency specified (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Securities, (2) the Investor's Currency equivalent value of the principal payable on the Securities and (3) the Investor's Currency equivalent market value of the Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less Distribution or principal than expected, or no Distribution or principal.

***The Issuer's ability to make payments under the Securities will depend on timely payments under on-lent loans of the proceeds from the issue of the Securities.***

The Issuer is a wholly owned subsidiary of the Guarantor formed for the principal purpose of issuing Notes and the Securities and will on-lend the entire proceeds from the issues to other entities of the Group. The Issuer does not and will not have any net assets other than such on-lent loans and its ability to make payments under the Securities depends on timely payments under such loans. In the event that the recipients of such on-lent loans 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 Securities may be adversely affected.

***Securities subject to optional redemption by the Issuer may have a lower market value than Securities that cannot be redeemed.***

Optional redemption features as contained in the Terms and Conditions are likely to limit the market value of Securities. During any period when the Issuer may elect to redeem Securities, the market value of those Securities generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Securities when its cost of borrowing is lower than the Distribution Rate on the Securities. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the Distribution Rate on the Securities being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

No assurances are made by the Issuer, the Guarantor or the Company as to whether or not payments on the Securities may be made without withholding taxes or deductions applying from the date on which agreement is reached to issue the Securities for or 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, Hong Kong or the PRC or any political subdivision, territory, possession thereof or authority therein having power to tax (the “**Relevant Jurisdiction**”). Although, pursuant to the Terms and Conditions, the Issuer or the Guarantor, as the case may be, is required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Securities at any time in the event that it or, as the case may be, the Guarantor 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, Hong Kong or (only where such tax or withholding is in excess of the rate applicable on [●]) the PRC or any political subdivision, territory, possession thereof or any authority therein having power to tax as a result of any change in, or amendment to, the laws of a Relevant Jurisdiction or any regulations or rulings promulgated thereunder, or any change in the application or official interpretation of such laws, rulings or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after [●].

***Each of the Issuer and the Guarantor has limited assets, which affects its ability to make payments under the Securities and/or the Guarantee of the Securities. Further, the Company may not be able to purchase adequate equity interest from the Guarantor pursuant to the Deed of Undertaking given the limited assets the Guarantor has.***

On certain dates, including the occurrence of a redemption event of the Securities, the Issuer, failing which the Guarantor, may be required to redeem all of the Securities. However, the Issuer is a special purpose vehicle, which does not generate any revenue and the Guarantor has limited assets and recorded net current liabilities in recent years. If such an event were to occur, the Issuer or the Guarantor (as applicable), may not have sufficient cash on hand and may not be able to arrange financing to redeem the Securities in time, or on acceptable terms, or at all. The ability to redeem the Securities in such event may also be limited by the terms of other debt instruments. The Issuer’s or the Guarantor’s (as applicable) failure to repay, repurchase or redeem tendered Securities would give the Trustee the right to institute proceedings for the Winding-Up (as defined in the Terms and Conditions) of the Issuer or the Guarantor under the Securities, which may also constitute a default under the terms of other indebtedness of the Group.

Furthermore, the Company has undertaken to purchase or procure a subsidiary of the Company to purchase from a Relevant Transferor the equity interest held by it upon the occurrence of an Enforcement Event pursuant to the Deed of Undertaking. Should the Company decide to acquire equity interest from the Guarantor, the Company may encounter difficulties with the discharge of its payment obligations under the Deed of Undertaking because the Guarantor only has limited equity interest to sell to the Company. Further, in the case of Winding-Up of the Guarantor, performance by the Guarantor and the Company of its undertakings and obligations under the Deed of Undertaking may be subject to applicable insolvency, liquidation, administration, moratorium, reorganisation laws and similar laws generally affecting the rights of creditors.



***The Securities are perpetual securities and investors have no right to require redemption.***

The Securities are perpetual and have no maturity date. The Issuer is under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities.

***Holdings may not receive Distribution payments if the Issuer elects to defer Distribution payments under the Terms and Conditions.***

The Issuer may, at its sole discretion and subject to certain conditions, elect to defer any scheduled Distribution on the Securities for any period of time. The Issuer is not subject to any limits as to the number of times Distributions can be deferred pursuant to the Terms and Conditions, subject to compliance with certain restrictions and notwithstanding any increase in the Distribution Rate which may be provided for under the Terms and Conditions.

Although, following a deferral of any scheduled Distribution, Arrears of Distributions are cumulative, the Issuer may defer their payment indefinitely in accordance with the Terms and Conditions. Any such deferral of Distribution does not constitute a default under the Terms and Conditions. The Issuer, the Guarantor, the Company and their respective subsidiaries are subject to certain restrictions in relation to the payment of discretionary dividends on the Junior Securities and Parity Securities of the Issuer, the Guarantor and the Company, the discretionary redemption and repurchase of Parity Securities or Junior Securities of the Issuer, the Guarantor and the Company until any outstanding Arrears of Distribution and Additional Distribution Amount are satisfied or save in certain specified situations as further described in the Terms and Conditions. Such restrictions on discretionary payments, redemption or repurchase act as the main deterrent against deferral of Distribution on the Securities.

A breach of such restrictions on discretionary payments and discretionary redemption and repurchase by the Issuer, the Guarantor or the Company will not obligate the Issuer to satisfy any Arrears of Distributions or Additional Distribution Amount accrued at the time of the breach although it may result in a Step-Up Event. Any Distribution at the increased Distribution Rate may be further deferred by the Issuer at its discretion indefinitely in accordance with the Terms and Conditions. See also “*Risk Factors — Risks Relating to the Guarantee of the Securities and the Securities — The Securities confer Holders with limited rights upon the occurrence of a Step-Up Event.*”

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Group’s financial condition.

***The Securities may be redeemed at the Issuer’s option on the First Call Date or on any Distribution Payment Date after the First Call Date or upon the occurrence of certain other events.***

The Securities are redeemable at the option of the Issuer on the First Call Date or on any Distribution Payment Date after the First Call Date at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

In addition, the Issuer also has the right to redeem the Securities upon the occurrence of a Step-Up Event. The Securities may also be redeemed at the option of the Issuer if prior to the date fixed for redemption at least 90 per cent. in principal amount of the Securities originally issued has been redeemed or purchased or cancelled. The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to the Holders in light of market conditions or the individual circumstances of the Holders of the Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

***There are limited remedies under the Securities.***

Any scheduled Distribution will not be due if the Issuer elects to defer that Distribution pursuant to the Terms and Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute

winding-up proceedings against the Issuer or the Guarantor is limited to circumstances where a winding-up proceeding has been initiated against the Issuer or the Guarantor or where payment has become due under the Securities, the Guarantee of Securities or the Trust Deed and the Issuer or the Guarantor fails to make such payment for a period of 14 days or more after the date on which such payment is due. Holders of the Securities would need to prove in such winding-up or claim in the liquidation of the Issuer or the Guarantor (as the case may be) for the recovery of amounts in respect of the Securities.

***In the case of Winding-Up of the Company, enforcement of the Keepwell Deed and the Terms and Conditions is subject to interpretation and application of PRC insolvency law.***

There are limited remedies under the Securities upon a Winding-Up of the Company and the Holders do not have the right to institute winding-up proceedings against the Issuer or the Guarantor in the event of Winding-Up of the Company. In the case where there is Winding-Up of the Company, the Issuer and the Guarantor could still be an on-going concern or solvent and consequently, there could be no payments due and payable under the Securities. Although the Terms and Conditions provide for right of the Trustee to prove in the Winding-Up of the Company or claim in the liquidation of the Company for payment of any sum due under the Trust Deed, the Keepwell Deed and the Deed of Undertaking, without any payment due and payable under the Securities, there is uncertainty as to whether such claims can be successfully established against the Company as a matter of PRC insolvency law. Further, any proof and claim in the Winding-Up of the Company is subject to the insolvency laws and regulations of the PRC, the procedural and substantive provisions of which may differ from comparable provisions of the insolvency laws of jurisdictions with which the Holders are familiar.

***The Securities confer Holders with limited rights upon the occurrence of a Step-Up Event.***

The Securities confer Holders with limited rights upon the occurrence of a Step-Up Event. The Issuer may, at any time, on giving irrevocable notice to the Trustee, the Principal Paying Agent and the Holders, redeem the Securities in whole, but not in part, if any of such events occurs. The Issuer is, however, not obliged to redeem the Securities upon the occurrence of any of such events under the Securities. If the Issuer elects not to redeem the Securities upon the occurrence of such events, the Distribution Rate will increase by a certain percentage per annum pursuant to Condition 4(e) of the Terms and Conditions.

***The Issuer may raise other capital which affects the price of the Securities.***

The Issuer may raise additional capital through the issue of other securities or other means. Other than certain restrictions on issuing certain secured indebtedness or guaranteed indebtedness as set out in Condition 3(a) of the Terms and Conditions, there is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a winding-up of the Issuer or may increase the likelihood of a deferral of Distributions under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Holders to sell their Securities.

***The Securities and the Guarantee of the Securities 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 Securities and the Guarantee of the Securities 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 Securities 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 law. 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 Securities or the Guarantee of the Securities or make any funds available therefor 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 Securities and the Guarantee of the Securities 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 Guarantor may in the future acquire or establish.

The Securities and the Guarantee of the Securities 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 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 Securities, these assets will be available to pay obligations on the Securities only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Holders ratably with all of the Issuer's or the Guarantor's other unsecured creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Securities then outstanding would remain unpaid.

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

As the Issuer, the Guarantor and the Company are incorporated under the laws of the British Virgin Islands, Hong Kong and the PRC, respectively, any insolvency proceeding relating to the Issuer, the Guarantor and the Company, even if brought in other jurisdictions, would likely involve the British Virgin Islands, Hong Kong and the 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 are familiar.

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

If the Issuer, the Guarantor and the Company are unable to comply with their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer, the Guarantor and 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 of the Issuer's, the Guarantor's or the Company's debt agreements contain cross-acceleration or cross-default provisions. As a result, the Issuer's, the Guarantor's or the Company's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, result in a default under the Issuer's, the Guarantor's or the Company's other debt agreements or result in a Step-up Event under the Securities. 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 the Issuer, the Guarantor and the Company would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

***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, its jointly controlled entities and associated companies.***

As a holding company, the Guarantor depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries and associates to satisfy its obligations, including its obligations under the Securities and the Guarantee of the Securities. As at 31 December 2015 and 30 June 2016, the Guarantor had net assets approximately of HK\$7,872,013,000 and HK\$3,821,532,000, respectively. The ability of the Guarantor's subsidiaries and associates 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 make any assurance that its subsidiaries and associates 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. Some portfolio companies may conclude that it is in the best interest of their shareholders to retain earnings, if any, for use in the operation and expansion of their businesses. The shareholders or the board of directors of a portfolio company (as the case may be) have the power to determine whether to pay dividends based on conditions then existing, including the company's earnings, financial condition and capital requirements, as well as economic and other conditions the shareholders or the board may deem relevant. In particular, the Guarantor does not maintain complete control over its 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 Securities. These factors could reduce the payments that the Guarantor receives from its subsidiaries and associates, which would restrict its ability to meet its payment obligations under the Securities and the Guarantee of the Securities.

***The Terms and Conditions provide only limited protection against significant corporate events that could adversely impact the investors' investment in the Securities.***

While the Terms and Conditions contain terms intended to provide protection to Holders upon the occurrence of certain events involving significant corporate transactions and the creditworthiness of the Issuer, the Guarantor or the Company, these terms are limited and may not be sufficient to protect the investors' investment in the Securities. See "*Terms and Conditions of the Securities — Redemption and Purchase*".

The Trust Deed for the Securities also does not:

- require the Company to maintain any financial ratios or specific levels of net worth, revenue, income, cash flows or liquidity;
- restrict the Guarantor's or the Company's subsidiaries' or consolidated affiliated entities' ability to issue unsecured securities;
- incur unsecured indebtedness that would be senior to the Issuer's equity interests in the Group's subsidiaries or consolidated affiliated entities and therefore rank effectively senior to the Securities;
- limit the ability of the Guarantor's or the Company's subsidiaries or consolidated affiliated entities to service indebtedness;
- restrict the Issuer's, the Guarantor's or the Company's ability to redeem or prepay any other of the Issuer's, the Guarantor's or the Company's securities or other indebtedness; or
- restrict the Guarantor's or the Company's ability to make investments or to repurchase or pay dividends or make other payments in respect of the Issuer's shares or other securities ranking junior to the Securities.

As a result of the foregoing, when evaluating the terms of the Securities, the investors should be aware that the terms of the Securities do not restrict the Issuer's, the Guarantor's or the Company's ability to engage in, or to otherwise be a party to, a variety of corporate transactions, circumstances and events that could have an adverse impact on the investors' investment in the Securities.

***The Terms and Conditions of the Securities or the Keepwell Deed do not restrict the Group's ability to incur additional debt including issuing notes on providing guarantees for notes or to take other actions that could negatively impact holders of the Securities.***

The Group is not restricted under the Terms and Conditions or the Keepwell Deed from incurring additional debt, including secured debt, or from repurchasing the Securities. In addition, the covenants applicable to the Securities do not require the Group to achieve or maintain any minimum financial results relating to the Group's

financial position or results of operations. The Group's ability to recapitalise, incur additional debt and take other actions that are not limited by the Terms and Conditions could diminish the Group's ability to make payments on the Securities and amortising bonds when due.

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

The Securities will be represented by beneficial interests in a Global Certificate. Such Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream (the "Clearing Systems"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Certificates. The Clearing System will maintain records of the beneficial interests in the Global Certificate.

While the Securities are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Securities are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Securities by making payments to the relevant Clearing System for distribution to their account holders.

A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Securities. The Issuer, the Guarantor and/or the Company does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

***The Trustee may request Holders to provide an indemnity, security and/or pre-funding to its satisfaction.***

In certain circumstances, including, without limitation, taking enforcement steps pursuant to Condition 8 of the Terms and Conditions, the Trustee may, at its sole discretion, request Holders to provide an indemnity, security and/or pre-funding to its satisfaction before it takes actions on behalf of Holders. The Trustee shall not be obliged to take any such actions if not indemnified, secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity, 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, security and/or pre-funding to it, 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 to take such actions directly.

***Decisions that may be made on behalf of all Holders may be adverse to the interests of individual Holders. Modifications and waivers may be made in respect of the Terms and Conditions, the Agency Agreement, the Keepwell Deed, the Deed of Undertaking or the Trust Deed by the Trustee or less than all of the Holders.***

The Terms and Conditions contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders 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 may be adverse to the interests of the individuals.

The Terms and Conditions provide that the Trustee may, without the consent of Holders, agree to (i) any modification of the Terms and Conditions, the Agency Agreement, the Keepwell Deed, the Deed of Undertaking or the Trust Deed (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 Holders and (ii) any modification (except as mentioned in the Trust Deed) of the Securities, the Agency Agreement, the Keepwell Deed, the Deed of Undertaking or the Trust Deed 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 Securities, the Agency Agreement, the Keepwell Deed, the Deed of Undertaking or the Trust Deed if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

***Neither the Keepwell Deed nor the Deed of Undertaking from the Company is a guarantee of the payment obligations of the Issuer and the Guarantor under the Securities and the Guarantee of the Securities.***

The Company will enter into the Keepwell Deed and the Deed of Undertaking in connection with the Securities. See “Offer Structure — The Keepwell Deed” and “Offer Structure — The Deed of Undertaking”. Upon a breach of the Keepwell Deed or the Deed of Undertaking, the Trustee may take action against the Company to enforce the provisions of the Keepwell Deed or the Deed of Undertaking. However, none of the Keepwell Deed, the Deed of Undertaking or any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligations of the Issuer under the Securities or the Guarantor under the Guarantee of the Securities. Accordingly, pursuant to the terms of the Keepwell 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 Undertaking, undertake certain specified actions, rather than assume the payment obligation as in the case of a guarantee. Furthermore, even if the Company intends to perform its obligations under the Keepwell Deed and the Deed of Undertaking, depending on the manner in which the Company arranges for sufficient funds to meet the payment obligations of the Issuer under the Securities or the Guarantor under the Guarantee of the Securities, such performance may be subject to obtaining prior consent or approvals from relevant PRC governmental authorities, including the NDRC, the MOFCOM and the SAFE and their respective local counterparts.

In addition, under the Keepwell 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 Securities and the Guarantee of the Securities. However, any claim by the Issuer, the Guarantor and/or the Trustee against the Company in relation to the Keepwell Deed or the Deed of Undertaking will be effectively subordinated to all existing and future obligations of the Company’s subsidiaries (which do not provide a guarantee in respect of the Securities), particularly the Company’s subsidiaries in the PRC, and all claims by creditors of such subsidiaries in the PRC will have priority to the assets of such entities over the claims of the Issuer, the Guarantor and the Trustee under the Keepwell Deed and the Deed of Undertaking.

***Performance by the Company of its undertaking under the Deed of 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 Securities and the Guarantee of the Securities by entering into the Deed of Undertaking. Under the Deed of Undertaking, the Company agrees to, upon the receipt of the Trigger Notice, grant the Liquidity Support, make the Investment or effect the Purchase from 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**”), in each case at an amount, purchase price or investment amount not lower than, at any time upon the occurrence of an Enforcement Event, the aggregate of the following amounts, subject to all applicable laws: (i) an amount in U.S. dollars not less than that sufficient to enable the Issuer and the Guarantor to discharge in full their respective obligations under the Securities, the Guarantee of the Securities, the Agency Agreement and the Trust Deed that are due and owing (including without limitation the principal amount of the Securities then outstanding and any Distributions due and unpaid and/or accrued but unpaid on the Securities and including, for the avoidance of doubt, any Arrears of Distribution and Additional Distribution Amount); plus (ii) all costs, fees and expenses and other amounts payable in U.S. dollars to the Trustee and/or the Agents under or in connection with the Securities, the Guarantee of the Securities, the Trust Deed, the Agency Agreement, the Keepwell Deed and/or this Deed that are due and owing as at the date of such Trigger Notice plus provisions for fees and expenses of the Trustee and/or Agents which may be incurred after the date of the Trigger Notice in accordance with the Securities, the Guarantee of the Securities, the Trust Deed, the Agency Agreement, the Keepwell Deed and/or this Deed, as notified by the Trustee in the Trigger Notice, in connection with the recovery of amounts due under part (i) aforesaid.

Performance by the Company of its undertakings under the Deed of Undertaking is subject to the approval of or registration with (as the case may be):

- the MOF;
- the CBRC;
- the NDRC;
- the MOFCOM;

- the SAFE;
- the relevant Administration for Industry and Commerce; and
- the relevant tax authority.

As the approval or registration process is beyond the control of the Company, there can be no assurance that the Company will successfully obtain any of the requisite approvals in time, or at all. In the event that the Company fails to obtain the requisite approvals, the Issuer and the Guarantor may still have insufficient funds to discharge their outstanding payment obligations to the Holders.

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 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 Undertaking, the Company agrees to purchase, upon the receipt of the Trigger Notice, from the Relevant Transferor the equity interest of wholly owned and 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 and the Keepwell Deed, 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 issued outside the PRC by the Company or any of its subsidiaries).

In the event that the obligation to purchase under the Deed of 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 the 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.

***In the case of Winding-Up of the Guarantor, performance by the Guarantor and the Company of its undertakings and obligations under the Deed of Undertaking may be subject to applicable insolvency, liquidation, administration, moratorium, reorganisation laws and similar laws generally affecting the rights of creditors.***

Under the terms of the Deed of Undertaking, the Company will agree to purchase, upon the receipt of the Trigger Notice resulting from an Enforcement Event, from a Relevant Transferor the equity interest of wholly owned and

indirectly held subsidiaries of the Company held by it. In the case of the Enforcement Event being Winding-Up of the Guarantor and the Relevant Transferor being the Guarantor, the ability of the Guarantor or the Company to perform this undertaking may be subject to applicable insolvency, liquidation, administration, moratorium, reorganisation laws and similar laws generally affecting the rights of creditors. This may include the liquidator's view on the valuation of such equity interest and the liquidator's and courts' power and discretion under applicable laws in sanctioning such transfer at the time of Winding-Up of the Guarantor, taking into account the interests of all creditors of the Guarantor. Further, under these circumstances, the proceeds from the Company's Purchase will not be segregated or guaranteed to be strictly applied to the payments due under the Securities and such sale proceeds received by the Guarantor may be subject to the insolvency claims of third parties under applicable insolvency, liquidation, administration, moratorium, reorganisation laws and similar laws generally affecting the rights of creditors. If there are not sufficient proceeds to pay all these creditors of the Guarantor, then the Guarantor may have insufficient funds to discharge its payment obligations to the Holders and all or a portion of the Securities then outstanding would remain unpaid.



## 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 consolidated unaudited but reviewed financial information as at and for the six months ended 30 June 2015 and 2016 has been derived from the Group's Unaudited Interim Financial Information, which are incorporated by reference in the Offering Circular.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Group's Unaudited Interim Financial Statements and, including the notes thereto.

The Group's Unaudited Interim Financial Statements have been prepared and presented in accordance with IFRS.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30	
	2016	2015
	(Unaudited)	(Audited)
Income from distressed debt assets classified as receivables .....	11,688,521	11,012,476
Fair value changes on distressed debt assets .....	1,432,354	485,999
Fair value changes on other financial assets .....	2,718,928	2,177,313
Interest income .....	7,191,127	7,030,768
Investment income .....	9,581,229	9,828,617
Commission and fee income .....	5,745,857	5,517,596
Net gains on disposal of subsidiaries and associates .....	21,275	175,329
Other income and other net gains or losses .....	1,631,304	1,597,951
<b>Total .....</b>	<b>40,010,595</b>	<b>37,826,049</b>
Interest expense .....	(14,027,628)	(12,126,660)
Commission and fee expense .....	(481,593)	(564,295)
Operating expenses .....	(5,358,765)	(5,331,195)
Impairment losses on assets .....	(1,969,159)	(6,150,212)
<b>Total .....</b>	<b>(21,837,145)</b>	<b>(24,172,362)</b>
Change in net assets attributable to other holders of consolidated structured entities .....	(1,306,513)	(970,717)
Share of results of associates and joint ventures .....	78,097	140,611
Profit before tax .....	16,945,034	12,823,581
Income tax expense .....	(4,099,325)	(2,955,815)
<b>Profit for the period .....</b>	<b>12,845,709</b>	<b>9,867,766</b>
<b>Profit attributable to:</b>		
Equity holders of the Company .....	11,122,978	8,373,349
Holders of perpetual capital instruments .....	256,899	83,909
Non-controlling interests .....	1,465,832	1,410,508
	<u>12,845,709</u>	<u>9,867,766</u>
<b>Earnings per share attributable to equity holders of the Company</b> (Expressed in RMB Yuan per share)		
— Basic .....	<u>0.28</u>	<u>0.26</u>
— Diluted .....	<u>0.28</u>	<u>N/A</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(Amounts in thousands of RMB, unless otherwise stated)**

	As at June 30 2016	As at December 31 2015
	(Unaudited)	(Audited)
<b>Assets</b>		
Cash and balances with central bank .....	28,336,789	24,982,130
Deposits with financial institutions .....	114,196,441	76,896,262
Placements with banks .....	9,769,751	9,298,706
Financial assets held for trading .....	28,190,777	13,004,002
Financial assets designated as at fair value through profit or loss .....	97,690,869	85,458,189
Financial assets held under resale agreements .....	25,531,449	32,538,933
Loans and advances to customers .....	104,449,104	81,625,232
Finance lease receivables .....	78,916,844	71,672,497
Available-for-sale financial assets .....	91,640,337	64,994,231
Held-to-maturity investments .....	36,559,533	34,357,970
Financial assets classified as receivables .....	403,525,478	328,685,840
Interests in associates and joint ventures .....	8,787,978	6,692,635
Investment properties .....	1,035,955	1,070,209
Property and equipment .....	5,389,166	5,026,771
Deferred tax assets .....	5,621,542	4,826,597
Other assets .....	33,580,118	25,416,214
<b>Total assets .....</b>	<b><u>1,073,222,131</u></b>	<b><u>866,546,418</u></b>
<b>Liabilities</b>		
Borrowings from central bank .....	800,000	20,000
Deposits from financial institutions .....	3,941,167	15,468,153
Placements from financial institutions .....	15,528,302	964,936
Financial assets sold under repurchase agreements .....	35,033,556	30,361,861
Borrowings .....	387,137,331	295,031,782
Due to customers .....	175,919,366	139,998,873
Income tax payable .....	1,986,104	3,223,251
Deferred tax liabilities .....	641,770	552,760
Bonds and notes issued .....	189,496,039	143,053,839
Other liabilities .....	131,085,501	119,070,361
<b>Total liabilities .....</b>	<b><u>941,569,136</u></b>	<b><u>747,745,816</u></b>
<b>Equity</b>		
Share capital .....	39,070,208	39,070,208
Capital reserve .....	18,384,948	18,404,795
Surplus reserve .....	2,441,087	2,441,087
General reserve .....	9,305,831	8,571,665
Other reserves .....	4,298,965	5,475,513
Retained earnings .....	34,542,894	24,154,082
<b>Equity attributable to equity holders of the Company .....</b>	<b><u>108,043,933</u></b>	<b><u>98,117,350</u></b>
Perpetual capital instruments .....	6,399,783	6,454,112
Non-controlling interests .....	17,209,279	14,229,140
<b>Total equity .....</b>	<b><u>131,652,995</u></b>	<b><u>118,800,602</u></b>
<b>Total equity and liabilities .....</b>	<b><u>1,073,222,131</u></b>	<b><u>866,546,418</u></b>

## 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 unaudited but reviewed consolidated financial statements of the Guarantor Group as at and for the six months ended 30 June 2015 and 2016 has been derived from the Guarantor's Unaudited Interim Financial Statements, which is included elsewhere in this Supplemental Offering Circular.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Guarantor's Unaudited Interim Financial Statements, including the notes thereto.

The Guarantor's Unaudited Interim Financial Statements have been prepared and presented in accordance with HKFRS.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GUARANTOR

	<u>For the six months ended 30 June</u>	
	<u>2016</u>	<u>2015</u>
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue .....	2,480,264	1,427,164
Investment income .....	2,548,567	1,511,743
Other (losses) gains .....	(22,435)	20
Bank interest income .....	19,090	77,596
Net exchange (loss) gain .....	(90,747)	41,240
Operating expenses .....	(240,356)	(123,291)
Impairment loss .....	(22,588)	(280,435)
Finance costs .....	(1,579,725)	(858,583)
Change in net assets attributable to other holders of consolidated structured entities .....	11	—
Share of results of associates .....	35,569	(1,747)
Profit before taxation .....	3,127,650	1,793,707
Income tax expense .....	(479,968)	(287,087)
Profit for the period .....	2,647,682	1,506,620
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations .....	(48,442)	6,948
Fair value changes of available-for-sale investments .....	1,462,634	5,636
Other comprehensive income for the period (net of tax) .....	1,414,192	12,584
Total comprehensive income for the period .....	<u>4,061,874</u>	<u>1,519,204</u>
Profit for the period attributable to:		
Owners of the Guarantor .....	2,542,492	1,506,620
Non-controlling interests .....	105,190	—
	<u>2,647,682</u>	<u>1,506,620</u>
Total comprehensive income attributable to:		
Owners of the Guarantor .....	3,956,684	1,519,204
Non-controlling interests .....	105,190	—
	<u>4,061,874</u>	<u>1,519,204</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GUARANTOR**

	At <u>30 June</u>	At <u>31 December</u>
	<u>2016</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
	(Unaudited)	(Audited)
<b>Assets</b>		
Bank balances and cash .....	12,895,900	8,445,231
Restricted bank balances .....	251,851	623,241
Pledged bank deposits .....	10,414	10,353
Interest receivable .....	19,537	34,609
Accounts receivable .....	2,695,579	1,351,557
Deposits and other receivables .....	2,452,579	111,528
Held for trading investments .....	7,370,742	4,078,849
Financial assets designated at fair value through profit or loss .....	12,504,140	11,128,670
Available-for-sale investments .....	12,794,984	9,361,816
Loans and advances .....	27,238,308	24,376,776
Amount due from an associate .....	175,272	775,100
Amount due from ultimate holding company .....	169	210
Loans to fellow subsidiaries .....	20,097,129	6,925,633
Investments in associates .....	4,987,425	4,662,610
Property and equipment .....	15,972	14,795
Goodwill .....	109,136	109,136
Other intangible assets .....	32,060	31,036
Deferred tax assets .....	29,008	118,343
<b>Total assets .....</b>	<b><u>103,680,205</u></b>	<b><u>72,159,493</u></b>
<b>Liabilities</b>		
Bank and other borrowings .....	17,067,118	12,531,313
Financial asset sold under repurchase agreement .....	2,666,754	—
Interest payable .....	4,751	6,279
Accounts payable .....	194,273	602,269
Financial liability designated at fair value through profit or loss .....	20,100	—
Amount due to a related company .....	348	348
Amount due to an associate .....	190	190
Amount due to a fellow subsidiary .....	966	985
Amount due to ultimate holding company .....	1,223	1,926
Loan from ultimate holding company .....	3,449,218	2,483,038
Income tax payable .....	414,131	242,826
Other liabilities .....	1,440,657	1,331,513
Notes payable .....	70,117,381	50,768,738
Deferred tax liabilities .....	431,082	368,536
<b>Total liabilities .....</b>	<b><u>95,808,192</u></b>	<b><u>68,337,961</u></b>
<b>Equity and reserves</b>		
Share capital .....	422,949	422,949
Retained profits .....	5,790,785	3,248,293
Statutory reserve .....	56,621	56,621
Investments revaluation reserve .....	1,264,347	(198,287)
Other reserve .....	—	74,620
Exchange reserve .....	(209,085)	(160,643)
<b>Equity attributable to owners of the Guarantor .....</b>	<b><u>7,325,617</u></b>	<b><u>3,443,553</u></b>
<b>Non-controlling interests .....</b>	<b><u>546,396</u></b>	<b><u>377,979</u></b>
<b>Total equity .....</b>	<b><u>7,872,013</u></b>	<b><u>3,821,532</u></b>
<b>Total equity and liabilities .....</b>	<b><u>103,680,205</u></b>	<b><u>72,159,493</u></b>

## USE OF PROCEEDS

The net proceeds of the issue of the Securities, after deducting the fees and other expenses in connection with the issue of the Securities, will be approximately U.S.\$[●] million, which will be used for the Group's working capital and general corporate purposes.

## TERMS AND CONDITIONS OF THE SECURITIES

*The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Securities, which will be endorsed on the individual Certificates evidencing the Securities.*

The U.S.\$[●] [●] per cent. unsubordinated guaranteed perpetual securities (the “**Securities**”, which expression includes any further securities issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of Huarong Finance II Co., Ltd. (the “**Issuer**”) was authorised by a resolution of the board of directors of the Issuer passed on 2 September 2016. The Securities are guaranteed by China Huarong International Holdings Limited (the “**Guarantor**”). The giving of the Guarantee of the Securities was authorised by resolutions of the Guarantor passed on 2 September 2016. The Securities are constituted by, are subject to, and have the benefit of, a trust deed dated [●] 2016 (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the “**Trust Deed**”) between the Issuer, the Guarantor, the Company (as defined below) and The Bank of New York Mellon, London Branch 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 [●] 2016 (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the “**Agency Agreement**”) between the Issuer, the Guarantor, the Company, The Bank of New York Mellon (Luxembourg) S.A. as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Securities) and transfer agent (the “**Transfer Agent**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Securities), The Bank of New York Mellon, London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Securities), 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 Securities), The Bank of New York Mellon, London Branch as calculation agent (the “**Calculation Agent**”, which expression includes any successor or additional calculation agents appointed from time to time in connection with the Securities) and the Trustee. References herein to the “**Agents**” are to the Registrar, the Principal Paying Agent, the Transfer Agent, the Calculation Agent and the Paying Agents and any reference to an “**Agent**” is to any one of them.

The Securities will also have the benefit of (i) a keepwell deed dated [●] 2016 given by China Huarong Asset Management Co., Ltd. (the “**Company**”) (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the “**Keepwell Deed**”) and (ii) a deed of equity interest purchase, investment and liquidity support undertaking dated [●] 2016 given by the Company (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the “**Deed of Undertaking**”). The entering into the Keepwell Deed and the Deed of Undertakings was authorised by a resolution of the board of directors of each of the Issuer, the Guarantor and the Company on 2 September 2016, 2 September 2016 and 17 March 2016, respectively.

Certain provisions of these Conditions are summaries of the Trust Deed, the Agency Agreement, the Keepwell Deed and the Deed of Undertaking and are subject to their detailed provisions. The Holders (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 Deed and the Deed of Undertaking applicable to them. Copies of the Trust Deed, the Agency Agreement, the Keepwell Deed and the Deed of Undertaking are available for inspection by Holders during normal business hours (between 9:00 am and 3:00 pm Monday to Friday) with reasonable prior written notification at the specified offices of each of the Agents, the initial specified offices of which are set out below.

All capitalised terms not defined in these Conditions have the meanings ascribed to them in the Trust Deed.

### 1. FORM, DENOMINATION, STATUS, RANKING AND GUARANTEE

- (a) *Form and denomination*: The Securities are in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorised Denomination**”).
- (b) *Status of the Securities*: The Securities 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 unsubordinated and 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 Securities*: 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 Securities (the “**Guarantee of the Securities**”). The Guarantee of the Securities constitutes direct, general, unsubordinated and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsubordinated and 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 Securities will be evidenced by a global Certificate (the “**Global Certificate**”) substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depository for Euroclear Bank S.A./N.V. (the “**Euroclear**”) and Clearstream Banking S.A. (the “**Clearstream, Luxembourg**”) and will be exchangeable for individual Certificates only in the circumstances set out therein.*

## 2. REGISTER, TITLE AND TRANSFERS

- (a) *Register:* The Registrar will maintain a register (the “**Register**”) outside of the United Kingdom in respect of the Securities in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Holder**” shall be construed accordingly. A certificate (each, a “**Certificate**”) will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title:* The Holder of each Security shall (except as otherwise required by law) be treated as the absolute owner of such Security 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 Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such 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 any Securities, the Keepwell Deed, the Deed of Undertaking or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.
- (c) *Transfers:* Subject to paragraphs (f) and (g) below, a Security may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are Authorised Denominations. Where not all the Securities represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Securities will be issued to the transferor. No transfer of title to a Security will be valid unless and until entered on the Register.

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

- (d) *Registration and delivery of Certificates:* Within five business days of the surrender of a Certificate in accordance with paragraph (c) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount of the Securities 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.
- (e) *No charge:* The transfer of a Security will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such pre-funding, security or 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:* No Holders may require the transfer of a Security to be registered during the period of 15 days ending on the due date for any payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities.

- (g) *Regulations concerning transfers and registration:* All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities 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) by the Registrar to any Holder who requests in writing a copy of such regulations.

### 3. CERTAIN COVENANTS

- (a) *Limitation on Security Interests:* For so long as any Security remains outstanding (as defined in the Trust Deed), each of the Guarantor and the Issuer will not, and will not permit any of its respective Subsidiaries (other than any Listed Subsidiary of the Guarantor) to create, incur, assume or permit to exist any Security Interest upon any of its property or assets, now owned or hereafter acquired, to secure any Relevant Indebtedness of the Guarantor, the Issuer or any such Subsidiary (or any guarantees or indemnity in respect thereof) outside of the PRC without, in any such case, making effective provision whereby the Securities and the Guarantee of the Securities will be secured either at least equally and ratably with such Relevant Indebtedness or by such other Security Interest as shall have been approved by the Holders as provided in the Trust Deed, for so long as such Relevant Indebtedness will be so secured.

The foregoing restriction will not apply to:

- (i) any Security Interest which is in existence on or prior to [●];
- (ii) any Security Interest either over any asset acquired after [●] which is in existence at the time of such acquisition or in respect of the obligations of any Person which becomes the Guarantor's Subsidiary after [●] which is in existence at the date on which it becomes the Guarantor's Subsidiary and in both cases any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Indebtedness originally secured (but the principal amount secured by any such Security Interest may not be increased); *provided that* any such Security Interest was not incurred in anticipation of such acquisition or of such company becoming the Guarantor's Subsidiary;
- (iii) any Security Interest created on any property or asset acquired, leased or developed (including improved, constructed, altered or repaired) after [●] *provided, however, that* (A)(x) any such Security Interest shall be confined to the property or asset acquired, leased or developed (including improved, constructed, altered or repaired) and; (y) to the extent that such Security Interest shall secure any other property or asset, the principal amount of the debt encumbered by such Security Interest shall not exceed the cost of the applicable acquisition, development or improvement and (B) any such Security Interest shall be created concurrently with or within two years following the acquisition, lease or development (including construction, improvement, repair or alteration) of such property or asset;
- (iv) any Security Interest on any loan extended by a Finance Subsidiary to the Guarantor, the Issuer or any of its Subsidiaries or on any Capital Stock of a Finance Subsidiary; and
- (v) any renewal or extension of any of the Security Interests described in the foregoing clauses which is limited to the original property or asset covered thereby.
- (b) *Rating Maintenance:* For so long as any Security remains outstanding, save with the approval of an Extraordinary Resolution of the Holders, the Issuer shall use all reasonable endeavours to maintain a rating on the Securities by a Rating Agency.
- (c) *Limitation on Business Activities:* For so long as the Securities are outstanding:
- (i) the Issuer will conduct no business or any other activities other than the offering, sale or issuance of bonds, notes or other securities (including any further securities issued in accordance with Condition 14 (*Further Issues*)), the lending of the proceeds thereof to the Guarantor or a Subsidiary of the Company, directly or indirectly, and located in a jurisdiction outside the PRC, the maintenance of the Issuer's corporate existence and any other activities in connection therewith;



- (ii) the Issuer will not issue any Capital Stock other than the issuance of its ordinary shares to the Guarantor; and
  - (iii) the Guarantor or the Issuer will not commence or take any action to cause a winding-up or liquidation of the Issuer.
- (d) *Financial Statements*: For so long as any Security remains outstanding:
- (i) each of the Issuer and the Guarantor will furnish the Trustee with, (A) a Compliance Certificate (on which the Trustee may rely as to such compliance without liability to any Holder) within 180 days after the end of the fiscal year of the Guarantor, (B) as soon as they are available, but in any event within 180 days after the end of each Relevant Period, copies of the Guarantor Audited Financial Reports audited by a member firm of independent accountants; and (C) as soon as they are available, but in any event within 135 days after the end of each Relevant Period, copies of Guarantor Unaudited Financial Reports prepared on a basis consistent with the Guarantor Audited Financial Reports, *provided however, that* if at any time the Capital Stock of the Guarantor is listed for trading on a recognised stock exchange, the Guarantor will deliver to the Trustee, as soon as they are available but in any event not more than 10 days after any financial or other reports of the Guarantor are filed with any recognised exchange on which the Guarantor's Capital Stock is at any time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the statements and reports identified in this Condition 3(d)(i)(B) and (C) (*Financial Statements*).
  - (ii) the Company will furnish the Trustee with (A) a Compliance Certificate (on which the Trustee may rely as to such compliance without liability to any Holder) within 180 days after the end of the fiscal year of the Company, (B) a copy of the Company Audited Financial Reports within 180 days after the end of each Relevant Period prepared in accordance with IFRS or any other generally accepted accounting standards that may be adopted by the Company (audited by an internationally recognised firm of independent accountants) of the Company and its Subsidiaries and if such statements shall be in the Chinese language, together with an English translation of the same translated by (x) an internationally recognised firm of accountants or (y) a professional translation service provider and checked by an internationally recognised firm of accountants; and (C) a copy of the Company Unaudited Financial Reports within 135 days of the end of each Relevant Period prepared on a basis consistent with the Company Audited Financial Reports and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (x) an internationally recognised firm of accountants or (y) a professional translation service provider and checked by an internationally recognised firm of accountants *provided that*, if at any time the Capital Stock of the Company is listed for trading on a recognised stock exchange, the Company may make available to the Trustee, as soon as they are available but in any event not more than 10 days after any financial or other reports of the Company are filed with the exchange on which the Company's Capital Stock is at such time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the statements and the reports identified in this Condition 3(d)(ii)(B) and (C) (*Financial Statements*).
- (e) *Consolidation, Merger and Sale of Assets*: Neither the Guarantor nor the Issuer may consolidate with or merge into any other Person in a transaction in which the Guarantor or the Issuer, as the case may be, are not the surviving entity, or convey, transfer or lease its properties and assets substantially as an entirety to any Person unless:
- (i) any Person formed by such consolidation or into which the Guarantor or the Issuer, as the case may be, is merged or to whom the Guarantor or the Issuer, as the case may be, has conveyed, transferred or leased its properties and assets substantially as an entirety is a corporation (which, in the case of the Issuer, is the Guarantor or is a Person 100 per cent. of the equity of which is directly owned by the Guarantor) validly existing under the laws of the jurisdiction of its organisation and such Person expressly assumes by a supplemental trust deed to the Trust Deed all the obligations of the Guarantor or the Issuer under the Trust Deed, the Securities or the Guarantee of the Securities, as the case may be;
  - (ii) immediately after giving effect to the transaction, no Step-up Event, and no event which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement, become a Step-up Event, shall have occurred and be continuing;

- (iii) any such Person not organised and validly existing under the laws of (or any such Person resident for tax purposes in a jurisdiction other than) Hong Kong or any successor jurisdiction (in the case of the Guarantor) or the British Virgin Islands or any successor jurisdiction (in the case of the Issuer) shall expressly agree in a supplemental trust deed that its jurisdiction of organisation or tax residence (or any political subdivision, territory or possession thereof, any taxing authority therein or any area subject to its jurisdiction) will be added to the list of Relevant Jurisdictions (as defined in Condition 7 (*Taxation*)); and
- (iv) if, as a result of the transaction, any property or asset of the Guarantor or any of the Guarantor's Subsidiaries would become subject to a Security Interest that would not be permitted under Condition 3(a) (*Limitation on Security Interests*) above, the Guarantor, the Issuer or such successor Person takes such steps as shall be necessary to secure the Securities at least equally and ratably with the Relevant Indebtedness secured by such Security Interest or by such other Security Interest as shall have been approved by Holders pursuant to the Trust Deed.
- (f) *Notification to NDRC*: The Company undertakes to provide or cause to be provided a notification to the NDRC of the requisite information and documents within the prescribed timeframe after the Issue Date in accordance with the NDRC Circular and shall comply with all applicable PRC laws and regulations in connection with the NDRC Circular.

#### 4. DISTRIBUTION

- (a) *Distribution*: Subject to paragraph (d) below, the Securities confer a right to receive distribution (each a "**Distribution**") from, and including, [●] 2016 (the "**Issue Date**") at the Distribution Rate in accordance with this Condition 4. Subject to paragraph (d) below, Distribution shall be payable on the Securities semi-annually in arrear on [●] and [●] of each year (each, a "**Distribution Payment Date**"), commencing on [●] 2017.

If any Distribution is required to be calculated in respect of a period of less than a full half-year, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each.

- (b) *Rate of Distribution*: Subject to any increase pursuant to paragraph (e) below, the rate of distribution ("**Distribution Rate**") applicable to the Securities shall be:
  - (i) in respect of each Distribution Payment Date, the period from, and including, the Issue Date to, but excluding, [●] (the "**First Call Date**"), the Initial Distribution Rate; and
  - (ii) in respect of the period (A) from, and including the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.
- (c) *Distribution Accrual*: Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from and including the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such event, Distribution shall continue to accrue as provided in the Trust Deed. In such latter event, Distribution will continue to accrue at the applicable rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Security up to that day are received by or on behalf of the relevant Holder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is any subsequent default in payment).
- (d) *Distribution Deferral*:
  - (i) *Optional Deferral*: The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an "**Optional Deferral Notice**") to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent in writing not less than seven business days prior to the relevant Distribution Payment Date (a "**Optional Deferral Event**").

- (ii) *No obligation to pay*: The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with sub-paragraph (i) above.
- (iii) *Cumulative Deferral*: Any Distribution deferred pursuant to this paragraph (d) shall constitute “**Arrears of Distribution**”. The Issuer may, at its sole discretion, elect (in the circumstances set out in sub-paragraph (i) above) to further defer (in whole or in part) any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of Distribution. The Issuer is not subject to any limit as to the number of times Distribution and Arrears of Distribution can be deferred pursuant to this paragraph (d).

Each amount of Arrears of Distribution shall accrue distribution as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such distribution (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 4. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

- (iv) *Restrictions in the case of Deferral*:
  - (A) The Issuer undertakes, and undertakes to procure its Subsidiaries, unless the Payment Condition has been fully satisfied or the Issuer or the relevant Subsidiary is otherwise permitted to do so by an Extraordinary Resolution of the Holders:
    - (1) not to declare or pay any discretionary dividends or distributions or make any other discretionary payment, and will procure that no discretionary dividend, distribution or other discretionary payment is made, in each case, on any Parity Securities or Junior Securities of the Issuer, the Guarantor or the Company (except (x) in relation to the Parity Securities of the Issuer, the Guarantor or the Company, as the case may be, on a *pro rata* basis, or (y) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); and
    - (2) not, at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Issuer, the Guarantor or the Company (except (x) in relation to the Parity Securities of the Issuer, the Guarantor or the Company, as the case may be, on a *pro rata* basis, (y) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (z) as a result of the exchange or conversion of such Parity Securities for the Junior Securities of the Issuer, the Guarantor or the Company, as the case may be).
  - (B) The Guarantor undertakes, and undertakes to procure the Issuer, the Guarantor and the Subsidiaries of the Guarantor, unless the Payment Condition has been fully satisfied or the Issuer, the Guarantor or the relevant Subsidiary is otherwise permitted to do so by an Extraordinary Resolution of the Holders:
    - (1) not to declare or pay any discretionary dividends or distributions or make any other discretionary payment, and will procure that no discretionary dividend, distribution or other discretionary payment is made, in each case, on any Parity Securities or Junior Securities of the Issuer, the Guarantor or the Company (except (x) in relation to the Parity Securities of the Issuer, the Guarantor or the Company, as the case may be, on a *pro rata* basis, or (y) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); and
    - (2) not, at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Issuer, the Guarantor

or the Company (except (x) in relation to the Parity Securities of the Issuer, the Guarantor or the Company, as the case may be, on a *pro rata* basis, (y) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (z) as a result of the exchange or conversion of such Parity Securities for the Junior Securities of the Issuer, the Guarantor or the Company, as the case may be).

- (C) The Company undertakes, and undertakes to procure the Issuer, the Guarantor and the Subsidiaries of the Company, unless the Payment Condition has been fully satisfied or the Issuer, the Guarantor, the Company or the relevant Subsidiary is otherwise permitted to do so by an Extraordinary Resolution of the Holders:
- (1) not to declare or pay any discretionary dividends or distributions or make any other discretionary payment, and will procure that no discretionary dividend, distribution or other discretionary payment is made, in each case, on any Parity Securities or Junior Securities of the Issuer, the Guarantor or the Company (except (x) in relation to the Parity Securities of the Issuer, the Guarantor or the Company, as the case may be, on a *pro rata* basis, or (y) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); and
  - (2) not, at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Issuer, the Guarantor or the Company (except (x) in relation to the Parity Securities of the Issuer, the Guarantor or the Company, as the case may be, on a *pro rata* basis, (y) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (z) as a result of the exchange or conversion of such Parity Securities for the Junior Securities of the Issuer, the Guarantor or the Company, as the case may be).

(v) *Satisfaction of Arrears of Distribution by payment:*

The Issuer:

- (A) may satisfy any Arrears of Distribution and Additional Distribution Amount (in whole or in part) at any time by giving notice of such election to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent in writing not less than five nor more than 10 business days prior to the proposed payment date specified in such notice (which notice shall be irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and Additional Distribution Amounts, on the payment date specified in such notice); and
- (B) in any event shall satisfy any outstanding Arrears of Distribution and Additional Distribution Amount (in whole but not in part) on the earlier of:
  - (1) the date of redemption of the Securities in accordance with the redemption events set out in Condition 5 (*Redemption and Purchase*);
  - (2) a Winding-Up of the Issuer or the Guarantor; and
  - (3) the date of any substitution or variation in accordance with Condition 12(d).

The Guarantor undertakes as a primary obligation to pay all outstanding Arrears of Distribution and Additional Distribution Amount upon a Winding-Up of the Guarantor.

The Company undertakes as a primary obligation to perform its obligations in the Keepwell Deed and the Deed of Undertaking upon a Winding-Up of the Company in accordance with applicable law for payment of any sum due under the Trust Deed, the Keepwell Deed and the Deed of Undertaking.

Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amount by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro rata* basis.

- (vi) *No default*: Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution payment in accordance with this paragraph (d) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 8 (*Non-payment*)) on the part of the Issuer, the Guarantor or the Company under the Guarantee of the Securities, the Keepwell Deed or the Deed of Undertaking or for any other purpose.
- (e) *Increase in Distribution Rate following occurrence of certain events*:
- (i) *Increase in Distribution Rate*: Upon the occurrence of a Step-Up Event, unless (x) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent pursuant to Condition 5 (*Redemption and Purchase*) by the 30th day following the occurrence of the relevant Step-Up Event or (y) the relevant Step-Up Event is remedied by the 30th day following the occurrence of such relevant Step-Up Event, the Distribution Rate will increase by 5.00 per cent. per annum with effect from (a) the next Distribution Payment Date immediately following the occurrence of the relevant Step-Up Event or (b) if the date on which the relevant Step-Up Event (as applicable) occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, *provided that* the maximum aggregate increase in the Distribution Rate pursuant to this paragraph (e) shall be 5.00 per cent. per annum. For the avoidance of doubt, any increase in the Distribution Rate pursuant to this paragraph (e) is separate from and in addition to any change in the Distribution Rate pursuant to subparagraph (b)(ii) above.
- Any increase in the Distribution Rate pursuant to this paragraph (e) shall be notified by the Issuer to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Agents in writing no later than the 30th day following the occurrence of the relevant Step-Up Event.
- (ii) *Decrease in Distribution Rate*: If following an increase in the Distribution Rate after a Step-Up Event, such Step-Up Event is cured or no longer exists, upon written notice of such facts being given to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent, the Distribution Rate shall be decreased by 5.00 per cent. per annum with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives notice of the cure of such Step-Up Event *provided that* the maximum aggregate decrease in the Distribution Rate pursuant to this paragraph (e) shall be 5.00 per cent. per annum.

## 5. REDEMPTION AND PURCHASE

- (a) *No fixed redemption*: The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (without prejudice to Condition 8 (*Non-payment*)), only have the right to redeem or purchase them in accordance with the following provisions of this Condition 5 (*Redemption and Purchase*).
- (b) *Redemption at the option of the Issuer*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice (in accordance with Condition 15 (*Notices*)) to the Trustee, the Principal Paying Agent and the Holders at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) on the First Call Date or on any Distribution Payment Date after the First Call Date (each, a "**Call Date**"). On expiry of any such notice as is referred to in this paragraph (b), the Issuer shall be bound to redeem the Securities on the relevant Call Date in accordance with this paragraph (b).
- (c) *Redemption for tax reasons*: The Securities 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 Holders (which notice shall be irrevocable), at their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, the Issuer satisfies the Trustee that as a result of any change in or amendment to the laws of a Relevant Jurisdiction or any regulations or rulings promulgated thereunder, or any change in the official interpretation or application of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change

or amendment (x) in the case of the Guarantor or the Issuer becomes effective on or after [●] and (y) in the case of any successor to the Guarantor or the Issuer that is organised or tax resident in a jurisdiction that is not a Relevant Jurisdiction as of [●] becomes effective on or after the date such successor assumes the Guarantor's or the Issuer's obligations, as applicable, under the Securities and the Trust Deed (each a "**Gross-Up Event**"),

- (i) (A) the Issuer is or would be required on the next succeeding due date for a payment with respect to the Securities to pay Additional Amounts with respect to the Securities as provided or referred to in Condition 7 (*Taxation*) and (B) such obligation cannot be avoided by the use of reasonable measures available to the Issuer or any successor person, as the case may be; or
- (ii) (A) the Guarantor is or (if a demand was made under the Guarantee of the Securities) would be required on the next succeeding due date for a payment with respect to the Securities to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) and (B) such obligation cannot be avoided by the use of reasonable measures available to the Guarantor or any successor person, as the case may be,

*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, as the case may be, would be obliged to pay such Additional Amounts if a payment in respect of the Securities were then due or (as the case may be) a demand under the Guarantee of the Securities 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 (1) a certificate signed by two directors of the Issuer stating that the circumstances referred to in Condition 5(c)(i) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by two directors of the Guarantor stating that the circumstances referred to in Condition 5(c)(ii) above prevail and setting out details of such circumstances and (2) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such Additional Amounts as a result of such change or amendment. The Trustee shall be entitled to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out in Condition 5(c)(i) and 5(c)(ii) above, in which event it shall be conclusive and binding on the Holders. Upon the expiry of any such notice as is referred to in this Condition 5(c), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(c).

- (d) *Redemption for accounting reasons:* The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving not less than 30 nor more than 60 days' notice (in accordance with Condition 15 (*Notices*)) to the Trustee, the Holders and the Principal Paying Agent (which notice shall be irrevocable) at:
  - (i) 101 per cent. of their principal amount together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or
  - (ii) their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date,

if, immediately before giving such notice, the Issuer satisfies the Trustee that:

- (A) as a result of any changes or amendments to, or a change or amendment to any interpretation of, IFRS, the Accounting Standards for Business Enterprises in the PRC or any other generally accepted accounting standards that may be adopted by the Company for the purposes of preparing the Company's consolidated financial statements (the "**Company Relevant Accounting Standards**"), the Securities in whole or in part must not or must no longer be recorded as "**equity**" of the Company in the consolidated financial statements of the Company pursuant to the Company Relevant Accounting Standards (a "**Company Accounting Event**"); or
- (B) as a result of any changes or amendments to, or a change or amendment to any interpretation of, Hong Kong Financial Reporting Standards or any other generally

accepted accounting standards that may be adopted by the Guarantor for the purposes of preparing the Guarantor's consolidated financial statements (the "**Guarantor Relevant Accounting Standards**", together with Company Relevant Accounting Standards, the "**Relevant Accounting Standards**"), the Securities must not or must no longer be recorded as "**equity**" of the Guarantor in the consolidated financial statements of Guarantor pursuant to the Guarantor Relevant Accounting Standards (a "**Guarantor Accounting Event**", together with the Company Accounting Event, the "**Accounting Events**" and each an "**Accounting Event**").

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

- (A) a certificate, signed by two directors of the Guarantor or the Company, as the case may be, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred and that such Accounting Event cannot be avoided by the Guarantor or the Company, as the case may be, taking reasonable measures available to it; and
- (B) an opinion, in form and substance satisfactory to the Trustee, of the independent auditors of the Guarantor or the Company, as the case may be, stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to or the relevant change or amendment to the relevant interpretation of, the Relevant Accounting Standards is due to take effect,

**provided, however that** no notice of redemption may be given under this paragraph (d) earlier than 90 days prior to the date on which the relevant change or amendment to or the relevant change or amendment to the relevant interpretation of the Relevant Accounting Standards is due to take effect in relation to the Guarantor or the Company.

Upon the expiry of any such notice as is referred to in this paragraph (d), the Issuer shall be bound to redeem the Securities in accordance with this paragraph (d) *provided that* such date for redemption shall be no earlier than the last day before the date on which the Securities must not or must no longer be so recorded as "**equity**" of the Guarantor or the Company, as the case may be, pursuant to the Relevant Accounting Standards.

The Trustee shall be entitled to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out in (A) and (B) of this paragraph (d), in which event it shall be conclusive and binding on the Holders.

- (e) *Redemption for Change of Control*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice (in accordance with Condition 15 (*Notices*)) to the Trustee, the Principal Paying Agent and the Holders at:
  - (i) 101 per cent. of their principal amount together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or
  - (ii) their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date,

if a Change of Control Triggering Event occurs.

Prior to the publication of any notice of redemption pursuant to this paragraph (e), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate, signed by two directors of the Company, stating that the circumstances referred to above in this paragraph (e) prevail and setting out the 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 above, in which event it shall be conclusive and binding on the Holders. Upon the expiry of any such notice as is referred to in this paragraph (e), the Issuer shall be bound to redeem the Securities in accordance with this paragraph (e).

- (f) *Redemption for a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event:* The Securities 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' irrevocable notice (in accordance with Condition 15 (*Notices*)) to the Trustee, the Principal Paying Agent and the Holders at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) upon the occurrence of:
- (i) a Breach of Covenant Event;
  - (ii) a Relevant Indebtedness Default Event; or
  - (iii) a Dividend Stopper Breach Event.

Upon the expiry of any such notice as is referred to in this paragraph (f), the Issuer shall be bound to redeem the Securities in accordance with this paragraph (f).

- (g) *Redemption for minimum outstanding amount:* The Securities 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' irrevocable notice (in accordance with Condition 15 (*Notices*)) to the Trustee, the Principal Paying Agent and the Holders at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if prior to the date fixed for redemption at least 90 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled.

Upon the expiry of any such notice as is referred to in this paragraph (g), the Issuer shall be bound to redeem the Securities in accordance with this paragraph (g).

- (h) *No other redemption:* The Issuer shall not be entitled to redeem the Securities otherwise than as provided in paragraphs (a) to (g) above.
- (i) *Purchase:* The Issuer, the Guarantor, the Company or any of their respective Subsidiaries may at any time purchase Securities in the open market or otherwise and at any price.
- (j) *Cancellation:* All Securities 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.
- (k) *No duty to monitor:* The Trustee shall not be obliged to take any steps to ascertain whether a Step-Up Event or an Accounting Event has occurred or to monitor the occurrence of any Step-Up Event or Accounting Event, and shall not be liable to the Holders or any other person for not doing so.
- (l) *Calculations:* Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Holders or any other person for not doing so.

## 6. PAYMENTS

- (a) *Principal:* Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Security 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 and (i) (in the case of redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Certificates at the specified office of any Paying Agent.
- (b) *Distribution:* Payments of Distribution (including any Arrears of Distribution and any Additional Distribution Amount) shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Security 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 and (i) (in the case of Distribution payable on redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Certificates at the specified office of any Paying Agent.



- (c) *Payments subject to fiscal laws:* All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 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. No commissions or expenses shall be charged to the Holders 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 Distribution payable on redemption) on the later of the due date for payment and the day on which the relevant 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 Distribution payable other than on redemption) on the due date for payment. A Holder of a Security shall not be entitled to any Distribution 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) a cheque mailed in accordance with this Condition 6 arriving after the due date for payment or being lost in the mail.
- (e) *Record date:* Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar’s specified office on the fifteenth day before the due date for such payment (the “**Record Date**”). Where payment in respect of a Security 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 close of business on the relevant Record Date.

*Whilst the Securities are evidenced by the Global Certificate, each payment in respect of the Global 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 payment, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive, except 25 December and 1 January).*

- (f) *Partial payment:* If a Paying Agent makes a partial payment in respect of any Securities, the Issuer shall procure that the amount and date of such payment are noted in the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

## 7. TAXATION

- (a) *Gross up:* All payments of principal, premium (if any) and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities and/or the Guarantee of the Securities 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 (the “**Taxes**”) imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong or the PRC, in each case including any political subdivision, territory or possession thereof, and any authority therein having power to tax (each as applicable, a “**Relevant Jurisdiction**”), 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 (as the case may be) the Guarantor as a result of the Issuer or the Guarantor being deemed by PRC tax authorities to be a PRC tax resident, at the rate applicable on [●] (the “**Applicable Rate**”), the Issuer or the Guarantor, as the case may be, will pay such additional amounts to the extent required, as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

If the Issuer or the Guarantor is required to make (i) such deduction or withholding by or within the PRC, in excess of the Applicable Rate or (ii) any deduction or withholding by or within Hong Kong

or 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 Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Security:

- (i) to a Holder (or to a third party on behalf of a Holder) who is liable to such Taxes in respect of such Security by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Security; or
  - (ii) where the relevant Security Certificate is presented or surrendered for payment more than 30 days after the Relevant Date, except to the extent that the Holder of such Security would have been entitled to such Additional Amounts on presenting or surrendering such Security Certificate for payment on the last day of such period of 30 days; or
  - (iii) to a Holder (or to a third party on behalf of a Holder) who would have been able to avoid such withholding or deduction by duly presenting the Security (where presentation is required) to another paying agent; or
  - (iv) with respect to any Taxes that would not have been imposed but for the failure of the Holder or beneficial owner to comply with a timely request of the Issuer or the Guarantor addressed to the Holder of such Security to provide certification or information concerning the nationality, residence or identity of the Holder or beneficial owner of such Security, if compliance is required as a precondition to relief or exemption from such Taxes or governmental charge; or
  - (v) with respect to any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other similar governmental charge; or
  - (vi) with respect to any withholding or deduction that is imposed in connection with Sections 1471-1474 of the US Internal Revenue Code and the U.S. Treasury regulations, thereunder (“**FATCA**”), any intergovernmental agreement between the United States and any other jurisdiction implementing, or relating to, FATCA or any law, regulation or guidance enacted or issued in any jurisdiction with respect thereto; or
  - (vii) with respect to any Taxes payable otherwise than by deduction or withholding from payments under or with respect to any Security or Guarantee of the Securities; or
  - (viii) with respect to any combination of taxes, duties, assessments or other governmental charges referred to in the preceding items (i) through (viii) above.
- (b) *Taxing jurisdiction*: If the Issuer or the Guarantor (or any successor of the Issuer or the Guarantor) becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, Hong Kong or the PRC, references in these Conditions to the Relevant Jurisdiction shall be construed to include such other jurisdiction.

Any reference in these Conditions to principal or Distribution, Arrears of Distribution or Additional Distribution Amount shall be deemed to include any Additional Amounts in respect of such principal or Distribution, Arrears of Distribution or Additional Distribution Amount (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.

## 8. NON-PAYMENT

- (a) *Non-payment when due*: Notwithstanding any of the provisions below in this Condition 8, the right to institute proceedings for Winding-Up of the Issuer or the Guarantor is limited to circumstances where payment has become due and is unpaid. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with sub-paragraph (d)(i) to sub-paragraph (d)(iii) (*Distribution Deferral*) of Condition 4 (*Distribution*).
- (b) *Proceedings for Winding-Up*:
  - (i) If (A) there is a Winding-Up of the Issuer or the Guarantor or (B) the Issuer or the Guarantor shall not make payment in respect of the Securities, the Guarantee of the Securities or under the Trust Deed, for a period of 14 days or more after the date on which such payment is due, the

Issuer and the Guarantor shall be deemed to be in default under the Trust Deed, the Guarantee of the Securities and the Securities and the Trustee may, subject to the provisions of paragraph (d) below, institute proceedings for the Winding-Up of the Issuer or the Guarantor, prove in the Winding-Up of the Issuer or the Guarantor or claim in the liquidation of the Issuer or the Guarantor for such payment.

- (ii) Without prejudice to Condition 8(b)(i), if there is a Winding-Up of the Company, the Company shall be deemed to be in default under the Trust Deed, the Keepwell Deed and the Deed of Undertaking and the Trustee may, subject to the provisions of paragraph (d) below, prove in the Winding-Up of the Company or claim in the liquidation of the Company in accordance with applicable law for payment of any sum due under the Trust Deed, the Keepwell Deed and the Deed of Undertaking.
- (c) *Enforcement*: Without prejudice to paragraph (b) but subject to the provisions of paragraph (d) below, the Trustee may at its discretion and without notice to the Issuer, the Guarantor or the Company institute such proceedings against the Issuer, the Guarantor or the Company as it may think fit to enforce any term or condition binding on the Issuer, the Guarantor or the Company under the Trust Deed, the Keepwell Deed, the Deed of Undertaking, the Guarantee of the Securities or the Securities, as the case may be, (other than any payment obligation of the Issuer or the Guarantor under or arising from the Securities, the Guarantee of the Securities or the Trust Deed including, without limitation, payment of any principal, premium (if any) or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations) and, in no event shall the Issuer, the Guarantor or the Company, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. The rights and remedies of the Trustee and the Holders under the Securities, the Trust Deed, the Keepwell Deed and the Deed of Undertaking are cumulative and not exclusive of any rights or remedies provided by law.
- (d) *Entitlement of Trustee*: The Trustee shall not be obliged to take any of the actions referred to in paragraph (b) or (c) above against the Issuer, the Guarantor or the Company to enforce the terms of the Trust Deed, the Keepwell Deed, the Deed of Undertaking, the Guarantee of the Securities or the Securities, as the case may be, unless (A) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one quarter of the aggregate principal amount of the Securities then outstanding and (B) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction in accordance with the Trust Deed.
- (e) *Right of Holders*: No Holder shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the Winding-Up of the Issuer or the Guarantor or claim in the liquidation of the Issuer, the Guarantor or the Company or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer, the Guarantor or the Company as those which the Trustee is entitled to exercise as set out in this Condition 8.
- (f) *Extent of Holders' remedy*: No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 8, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Securities, the Guarantee of the Securities or under the Trust Deed or in respect of any breach by the Issuer or the Guarantor of any of their respective other obligations under or in respect of the Securities or the Trust Deed.

## 9. PRESCRIPTION

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

## 10. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar and the Transfer Agent, subject to all applicable laws and competent authority, stock exchange and/or quotation system 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 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 costs and expenses in priority to the claims of the Holders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor, the Company and any entity relating to the Issuer, the Guarantor or the Company without accounting for any profit.

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

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer, the Guarantor, the Company 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 Holders.

The initial Agents and their initial Specified Offices are listed below. The Issuer, the Guarantor and the Company 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 principal paying agent, or registrar or calculation agent and additional or successor paying agents and transfer agents; *provided, however, that:*

- (a) the Issuer, the Guarantor and the Company shall at all times maintain a principal paying agent, a registrar and a calculation agent; and
- (b) if and for so long as the Securities are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer, the Guarantor and the Company shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

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

## 12. MEETINGS OF HOLDERS, MODIFICATION, WAIVER, SUBSTITUTION OR VARIATION

- (a) *Meetings of Holders:* The Trust Deed contains provisions for convening meetings of Holders to consider matters relating to the Securities, including the modification of any provision of these Conditions, the Agency Agreement, the Keepwell Deed, the Deed of Undertaking 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, the Guarantor and the Company (acting together) or by the Trustee and shall be convened by the Trustee subject to its being first indemnified, provided with security and/or pre-funded to its satisfaction, upon the request in writing of Holders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Securities. 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 Securities or, at any adjourned meeting, two or more Persons being or representing Holders whatever the principal amount of the Securities held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders 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 Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Holders holding not less than 90 per cent. of the aggregate principal amount of the then outstanding Securities, who for the time being are entitled to receive notice of a meeting of Holders 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 Holders.

- (b) *Modification and waiver:* The Trustee may, without the consent of the Holders, agree to any modification of these Conditions, the Agency Agreement, the Keepwell Deed, the Deed of Undertaking or the Trust Deed (in each case, other than in respect of a Reserved Matter) 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 Holders and to any modification of the Securities, the Agency Agreement, the Keepwell Deed, the Deed of Undertaking or the Trust Deed 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 Holders authorise or waive any proposed breach or breach of the Securities, the Agency Agreement, the Keepwell Deed, the Deed of Undertaking or the Trust Deed (in each case, 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 Holders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Holders and unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Holders as soon as practicable thereafter in accordance with Condition 15 (*Notices*).

- (c) *Direction from Holders:* Notwithstanding anything to the contrary in these Conditions, the Trust Deed, the Agency Agreement, the Keepwell Deed or the Deed of Undertaking, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed, the Agency Agreement, the Keepwell Deed or the Deed of Undertaking 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 Holders by way of an Extraordinary Resolution and shall have been indemnified and/or provided with security 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) *Substitution or Variation:* If a Special Event has occurred and is continuing, then the Issuer may at its option, subject to Condition 4 (*Distribution*) (without any requirement for the consent or approval of the Holders) and subject to it having satisfied the Trustee immediately prior to the giving of any notice referred to in this Condition 12(d) that the provisions of this Condition 12(d) have been complied with, and having given not less than 30 nor more than 60 days' irrevocable notice in writing to the Trustee and the Principal Paying Agent and, in accordance with Condition 15 (*Notices*), to the Holders, at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 12(d) and subject to the receipt by it of the certificate of (x) a director of the Issuer and (y) of an Independent Investment Bank referred to in the definition of Qualifying Securities, on which the Trustee may rely absolutely) agree to such substitution or variation. Any such substitution or variation agreed to by the Trustee as aforesaid shall be binding on the Holders.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 12(d). In connection therewith, any outstanding Arrears of Distribution (including any Additional Distribution Amount) shall be satisfied in full in accordance with the provisions of Condition 4(d)(v) (*Satisfaction of Arrears of Distribution by payment*).

Any such substitution or variation in accordance with the foregoing provisions of this Condition 12(d) shall not be permitted if any such substitution or variation would itself give rise to a Special Event with respect to the Securities or the Qualifying Securities.

In these Conditions:

- (i) “**Special Event**” means a Gross-Up Event, an Accounting Event or any combination of the foregoing; and

(ii) “**Qualifying Securities**” means securities that:

- (A) have terms not materially less favourable to an investor than the terms of the Securities, *provided that*
- (1) they are issued by the Issuer or any finance Subsidiary of the Company, *provided that* the Company shall own and control, directly or indirectly at least 50.1 per cent. of the Voting Shares of such Subsidiary;
  - (2) they are unconditionally and irrevocably guaranteed by the Guarantor;
  - (3) they have the benefit of a keepwell deed and a deed of equity interest purchase undertaking which shall have substantially similar terms to the Keepwell Deed and the Deed of Undertaking by the Company; and
  - (4) they (or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* with the Securities on a Winding-Up of the issuer or the Guarantor thereof, shall preserve the Holders’ rights to any Arrears of Distribution, any Additional Distribution Amount and any other payment that has accrued with respect to the relevant securities, and shall contain terms which provide at least for the same Distribution Rate (including the distribution amount receivable thereunder), Distribution Payment Dates and redemption events, from time to time applying to the Securities and otherwise have substantially identical (as reasonably determined by the Issuer) terms to the Securities, save where any modifications to such terms are required to be made to resolve a Gross-Up Event or, as the case may be, an Accounting Event;
- (B) have been, or will on issue be, assigned at least the same credit rating as that assigned by the Rating Agencies to the Securities immediately prior to such substitution or variation; and
- (C) are listed on or by The Stock Exchange of Hong Kong Limited or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets,

in each case as certified to the Trustee by (x) any director of the Issuer and (y) an Independent Investment Bank prior to the substitution or variation of the relevant Securities.

### 13. ENFORCEMENT

The Trustee may at any time, at its absolute discretion and without notice, institute such actions, steps or proceedings as it thinks fit to enforce its rights under the Trust Deed, the Keepwell Deed, the Deed of Undertaking and the Agency Agreement and in respect of the Securities, 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 Securities or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified, prefunded or provided with security to its satisfaction.

No Holder may proceed directly against the Issuer, the Guarantor or the Company 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 Holders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the Issue Date, the issue price, first payment of Distribution and the timing for notification to the NDRC) so as to form a single series with the Securities. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of securities having the benefit of the Trust Deed *provided that* (a) the Rating Agencies which have provided credit ratings in respect of the

Securities have been informed of such issue and such issue will not result in any adverse change in the then credit rating(s) of the Securities and (b) 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 Holders 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.

*So long as the Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg any notice to the holders of the Securities shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg, 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 Securities, the Trust Deed, the Keepwell Deed and the Deed of Undertaking and any non-contractual obligations arising out of or in connection with the Securities, the Trust Deed the Keepwell Deed and the Deed of Undertaking are governed by English law.
- (b) *Jurisdiction:* Each of the Issuer, the Guarantor and the Company has in the Trust Deed, the Keepwell Deed and the Deed of Undertaking (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 Trust Deed, the Keepwell Deed, the Deed of Undertaking and the Securities (including any non-contractual obligation arising out of or in connection with the Securities); 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; and (iii) in the case of the Issuer and the Company, designated a person in Hong Kong to accept service of any process on its behalf.
- (c) *Waiver of immunity:* To the extent that the Issuer, the Guarantor or the Company may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), 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. DEFINITIONS

In these Conditions:

“**Accounting Event**” has the meaning ascribed to it in paragraph (d) (*Redemption for accounting reasons*) of Condition 5 (*Redemption and Purchase*);

“**Additional Distribution Amount**” has the meaning ascribed to it in sub-paragraph (iii) (*Cumulative Deferral*) of Condition 4(d) (*Distribution Deferral*);

“**Additional Amounts**” has the meaning ascribed to it in Condition 7 (*Taxation*);

“**Arrears of Distribution**” has the meaning ascribed to it in sub-paragraph (iii) (*Cumulative Deferral*) of Condition 4(d) (*Distribution Deferral*);

“**Breach of Covenant Event**” means the occurrence of a Covenant Breach;

“**business day**” means: (a) in respect of Condition 2 (*Register, Title and Transfers*), 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 Transfer Agent has its specified office; (b) in respect of Condition 4 (*Distribution*), any day on which banks are open for general business (including dealings in

foreign currencies) in London, Hong Kong and New York, in the place in which the specified office of the Principal Paying Agent is located; and (c) in respect of Condition 6 (*Payments*), any day on which banks are open for general business (including dealings in foreign currencies) in London, Hong Kong and New York City and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed);

“**Call Date**” has the meaning ascribed to it in paragraph (b) (*Redemption at the option of the Issuer*) of Condition 5 (*Redemption and Purchase*);

“**Capital Stock**” means any and all shares, interests (including joint venture interests), participations or other equivalents (however designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation);

“**Change of Control**” means the occurrence, at any time, of any of the following:

- (a) the Company ceasing to own and control, directly or indirectly at least 50.1 per cent. of the Voting Shares of the Guarantor; or
- (b) the Guarantor ceasing to own and control directly 100 per cent. of the Voting Shares of the Issuer; or
- (c) the government of the PRC or Persons controlled by the government of the PRC ceasing to Control the Company;

“**Change of Control Triggering Event**” means a Change of Control, *provided however, that*, in the event that the Securities are, on the Rating Date, rated Investment Grade by two or more Rating Agencies, a Change of Control Triggering Event shall mean the occurrence of both a Change of Control and a Rating Decline. No Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated;

“**Company Audited Financial Reports**” means the annual audited consolidated statements of financial position, statements of income, statements of cash flows and statement of changes in equity of the Company and its Subsidiaries and statements of financial position, statements of income, statements of cash flows and statement of changes in 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;

“**Company Unaudited Financial Reports**” means the semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited consolidated statements of financial position, statements of income, statements of cash flows and statement of changes in equity of the Company and its Subsidiaries and statements of financial position, statements of income, statements of cash flows and statement of changes in equity of the Company, together with any statements, reports (including any directors’ and auditors’ review reports, if any) and notes attached to or intended to be read with any of them, if and to the extent such statements, reports and the notes are prepared by the Company;

“**Comparable Treasury Issue**” means the U.S. Treasury security selected by the Issuer as having a maturity of 5 years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of 5 years;

“**Comparable Treasury Price**” means:

- (a) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third New York business day preceding the relevant Reset Date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated “Composite 3:30 p.m. Quotations for U.S. Government Securities”; or
- (b) if such release (or any successor release) is not published or does not contain such prices on such New York business day, (i) the average of the Reference Treasury Dealer Quotations for the relevant Reset Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or



(ii) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations, if the Comparable Treasury Price cannot be determined in accordance with the above provisions, as determined by the Independent Investment Bank;

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

- (a) no Step-Up Event, or any 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 (*Non-payment*), become a Step-Up 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 obligations under the Trust Deed, the Securities, the Keepwell Deed and the Deed of Undertaking;

**“Control”** means directly or indirectly (a) owning and controlling at least 50.1 per cent. of the Voting Shares of the Company; or (b) nominating or appointing a majority of the members of the Company’s board of directors or other equivalent or successor governing body; or (c) possessing the ability or power to direct the management policies of the Company;

**“Covenant Breach”** means a non-compliance or non-performance by the Issuer, the Guarantor or the Company of any one or more of its obligations and covenants set out in Condition 3 (*Certain Covenants*), the Keepwell Deed and the Deed of Undertaking;

**“Distribution”** has the meaning ascribed to it in paragraph (a) (*Distribution*) of Condition 4 (*Distribution*) and includes Arrears of Distribution and Additional Distribution Amount (if any) whether or not so specified in these Conditions;

**“Distribution Payment Date”** has the meaning ascribed to it in paragraph (a) (*Distribution*) of Condition 4 (*Distribution*);

**“Distribution Rate”** has the meaning ascribed to it in paragraph (b) (*Rate of Distribution*) of Condition 4 (*Distribution*);

**“Dividend Stopper Breach Event”** means a non-compliance or non-performance by the Issuer, the Guarantor or the Company of any of the restrictions set out in Condition 4(d)(iv) (*Distribution Deferral*);

**“Finance Subsidiary”** means any Person who is wholly-owned by the Guarantor and who does not engage in any business activity except (a) the incurrence of Indebtedness to Persons other than the Company, the Guarantor, the Issuer or any of their respective Subsidiaries, (b) the ownership of shares of another Finance Subsidiary, (c) activity related to the establishment or maintenance of that Person’s corporate existence, and (d) any other activity in connection with or incidental to activities referred to in (a), (b) or (c) above (but for the avoidance of doubt does not include the Issuer);

**“First Call Date”** has the meaning ascribed to it in sub-paragraph (b)(i) (*Rate of Distribution*) of Condition 4 (*Distribution*);

**“Gross-Up Event”** has the meaning given to it in Condition 5(c) (*Redemption for tax reasons*);

**“Guarantee of the Securities”** has the meaning ascribed to it in paragraph (c) (*Guarantee of the Securities*) of Condition 1 (*Form, Denomination, Status, Ranking and Guarantee*);

**“Guarantor Audited Financial Reports”** means the annual audited consolidated statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity of the Guarantor and its Subsidiaries and statement of financial position 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 (or any other interim reporting “period required by applicable law or regulations) unaudited consolidated statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity of the Guarantor and its Subsidiaries and statement of financial position of the Guarantor together with any statements, reports (including any directors’ and auditors’ review reports, if any) and notes attached to or intended to be read with any of them;

**“Holder”** has the meaning ascribed to it in paragraph (a) (*Register*) of Condition 2 (*Register, Title and Transfers*);

**“Hong Kong”** means the Hong Kong Special Administrative Region;

**“IFRS”** means International Financial Reporting Standards;

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

**“Indebtedness”** of any Person means, at any date, without duplication, (i) any outstanding indebtedness for or in respect of money borrowed (including bonds, debentures, notes or other similar instruments, whether or not listed) that is evidenced by any agreement or instrument, excluding trade payables, (ii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, and (iii) all Indebtedness of others guaranteed by such Person;

**“Initial Distribution Rate”** means [●] per cent. per annum;

**“Investment Grade”** means a rating of “AAA”, “AA”, “A” or “BBB”, as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of “Aaa”, “Aa”, “A” or “Baa”, as modified by a “1”, “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns; a rating of “BBB-” or better by Fitch or any of its successors or assigns; or the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Guarantor as having been substituted for S&P, Moody’s, or Fitch or any combination thereof, as the case may be;

**“Issue Date”** means [●] 2016;

**“Junior Securities”** means (a) in respect of the Issuer, any class of the Issuer’s share capital (including without limitation any preference shares) and any Subordinated Indebtedness issued or guaranteed by the Issuer; (b) in respect of the Guarantor, any class of the Guarantor’s share capital (including without limitation any preference shares) and any Subordinated Indebtedness issued or guaranteed by the Guarantor; and (c) in respect of the Company, any class of the Company’s share capital (including without limitation any preference shares), any Subordinated Indebtedness issued or guaranteed by the Company and any Indebtedness that has the benefit of the Similar Credit Support to those given by the Company in respect of the Securities save that the liabilities of the Company under such Similar Credit Support, in whole or in part, ranks or is expressed to rank, by its terms or by operation of law, in the event of the Winding-Up of the Company, in right of payment behind the claims of unsecured and unsubordinated creditors of the Company;

**“Listed Subsidiary”** means any Subsidiary of the Company or the Guarantor, as the case may be, the shares of which are at the relevant time listed on any stock exchange, and any Subsidiary of such Listed Subsidiary;

**“Macau”** means the Macau Special Administrative Region;

**“NDRC”** means the National Development and Reform Commission;

**“NDRC Circular”** means the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (国家发展改革委关于推进企业发行外债备案登记制管理改革的通知(发改外资[2015]2044号)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules or applicable policies in relation thereto as issued by the NDRC from time to time;

“**Optional Deferral Event**” has the meaning ascribed to it in paragraph (d) (*Distribution Deferral*) of Condition 4 (*Distribution*);

“**Optional Deferral Notice**” has the meaning ascribed to it in paragraph (d) (*Distribution Deferral*) of Condition 4 (*Distribution*);

“**Parity Securities**” means (a) in respect of the Issuer, any instrument or security issued, entered into or guaranteed by the Issuer, which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities; (b) in respect of the Guarantor, any instrument or security issued, entered into or guaranteed by the Guarantor, as the case may be, which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Guarantee of the Securities; and (c) in respect of the Company, any instrument or security issued entered into or guaranteed by the Company or which has the benefit of the Similar Credit Support to those given by the Company in respect of the Securities, which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities;

“**Payment Condition**” means the Issuer having satisfied in full all outstanding Arrears of Distribution and Additional Distribution Amount;

“**Person**” means any state-owned enterprise, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company, government or any agency or political subdivision thereof or any other entity;

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

“**Rating Agency**” means (a) Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors (“**S&P**”), (b) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors (“**Moody’s**”), or (c) Fitch (Hong Kong) Limited and its successors (“**Fitch**”); and (d) if one or more of S&P, Moody’s or Fitch shall not make a rating of the Securities publicly available, any internationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer, the Guarantor and the Company, which shall be substituted for S&P, Moody’s or Fitch or any combination thereof, as the case may be;

“**Rating Date**” means, in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (a) a Change of Control and (b) a public notice of the occurrence of a Change of Control or of the intention by any Person or Persons to effect a Change of Control;

“**Rating Decline**” means, in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by any Person or Persons to effect a Change of Control (which period shall be extended (by no more than an additional three months after the consummation of the Change of Control) so long as the rating of the Securities is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:

- (a) in the event the Securities (i) are on the Rating Date (A) rated by three Ratings Agencies and (B) rated Investment Grade by each such Rating Agency, and (ii) cease to be rated Investment Grade by at least two of such Rating Agencies; or
- (b) in the event the Securities (i) are on the Rating Date (A) rated by two but not more Ratings Agencies and (B) rated Investment Grade by each such Rating Agency, and (ii) cease to be rated Investment Grade by both such Rating Agencies;

“**Reference Treasury Dealer**” means each of any three investment banks of recognised standing that is a primary U.S. Government securities dealer in New York, selected by the Issuer, the Guarantor or the Company (at the expense of the Issuer, failing which the Guarantor, failing which the Company);

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any Reset Date, the average as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in

writing to the Calculation Agent by such Reference Treasury Dealer at 5:00 p.m. on the third business day (as defined in Condition 17 (*Definitions*) pursuant to Condition 4 (*Distribution*)) preceding such Reset Date;

“**Register**” has the meaning ascribed to it in paragraph (a) (*Register*) of Condition 2 (*Register, Title and Transfers*);

“**Relevant Accounting Standards**” has the meaning ascribed to it in paragraph (d) (*Redemption for accounting reasons*) of Condition 5 (*Redemption and Purchase*);

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) 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 Holders;

“**Relevant Indebtedness**” of any Person means (a) any present or future indebtedness that is in the form of, or represented or evidenced by any bonds, notes, debentures, debenture stocks, loan stock certificates or other securities, which are, or intended to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter market or other securities market and has a final maturity of one year or more from its date of incurrence or issuance; and (b) all Relevant Indebtedness of others guaranteed by such Person;

“**Relevant Indebtedness Default Event**” means the occurrence of one or more of the following events (and such event is continuing): (a) failure to pay upon final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any Indebtedness of the Company, the Guarantor, the Issuer or any Relevant Subsidiary, (b) acceleration of the maturity of any Indebtedness of the Company, the Guarantor, the Issuer or any Relevant Subsidiary following a default by the Company, the Guarantor, the Issuer, or such Relevant Subsidiary, if such Indebtedness is not discharged, or such acceleration is not annulled, within 10 days after receipt by the Trustee of the written notice from the Company, the Guarantor or the Issuer as provided in the Trust Deed, or (c) failure to pay any amount payable by the Company, the Guarantor, the Issuer or any Relevant Subsidiary under any guarantee or indemnity in respect of any Indebtedness of any other Person if such obligation is not discharged or otherwise satisfied within 10 days after receipt by the Trustee of written notice as provided in the Trust Deed; *provided, however*, that no such event set forth in clause (a), (b) or (c) shall constitute a default event unless the aggregate outstanding Indebtedness to which all such events relate exceeds 0.5 per cent. of the Total Assets of the Company (or its equivalent in any other currency);

“**Relevant Jurisdiction**” has the meaning ascribed to it in paragraph (a) (*Gross up*) of Condition 7 (*Taxation*);

“**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 the Company Unaudited Financial Reports and Guarantor Unaudited Financial Reports, each period of six months ending on the last day of their respective financial year (being 30 June of that financial year);

“**Relevant Reset Distribution Rate**” means a rate of distribution expressed as a percentage per annum equal to the sum of (a) the US Treasury Benchmark Rate, (b) the initial spread of [●] per cent. and (c) a margin of 5.00 per cent. per annum;

“**Relevant Subsidiary**” at any time shall mean a Subsidiary of the Company (other than a Listed Subsidiary):

- (a) as to which one or more of the following conditions is/are satisfied:
  - (i) its net profit or (in the case of a Subsidiary of the Company which has Subsidiaries) consolidated net profit attributable to the Company (in each case before taxation and exceptional items) is at least 10 per cent. of the consolidated net profit of the Company (before taxation and exceptional items); or
  - (ii) its net assets or (in the case of a Subsidiary of the Company which has Subsidiaries) consolidated net assets attributable to the Company (in each case after deducting minority

interests in Subsidiaries) are at least 10 per cent. of the consolidated net assets of the Company (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary of the Company and the then latest consolidated financial statements of the Company, *provided that*: (A) in the case of a Subsidiary of the Company acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (B) if, in the case of a Subsidiary of the Company which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated net profits shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; or (C) if the accounts of a Subsidiary of the Company (not being a Subsidiary referred to in (A) above) are not consolidated with those of the Company then the determination of whether or not the Subsidiary is a Relevant Subsidiary shall, if the Company requires, be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the audited consolidated accounts of the Company and its Subsidiaries; or

- (b) to which is transferred all or substantially all of the assets of the Subsidiary of the Company which immediately prior to the transfer was a Relevant Subsidiary, *provided that*, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Relevant Subsidiary (but without prejudice to paragraph (a) above);

**“Reset Date”** means the First Call Date and each day falling every 5 calendar years after the First Call Date;

**“Reserved Matter(s)”** means any proposal to change any date fixed for payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, to reduce the amount of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) payable on any date in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of any payment under the Securities or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

**“Security Interest”** means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind;

**“Similar Credit Support”** means any obligation assumed or expressed to be assumed by the Company under any contractual arrangements which is on substantially similar terms to that assumed by the Company, and which rank or is expressed to rank, by its terms or by operation of law, at least *pari passu* with those, under the Keepwell Deed and the Deed of Undertaking;

**“Step-Up Event”** means the occurrence of a Change of Control Triggering Event, a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event;

**“Subordinated Indebtedness”** means all indebtedness for money borrowed or raised which, in the event of the Winding-Up of the issuer thereof, ranks or is expressed to rank, by its terms or by operation of law, in right of payment behind the claims of unsecured and unsubordinated creditors of such issuer, and for this purpose indebtedness shall include all liabilities, whether actual or contingent;

**“Subsidiary”** means, as applied to any Person, any corporation or other entity of which a majority of the outstanding Voting Shares is, at the time, directly or indirectly, owned by such Person;

**“Total Assets”** means the consolidated total assets of the Company and its subsidiaries calculated by reference to the then latest financial statements of the Company (which can be internal financial statements);

**“US Treasury Benchmark Rate”** means the rate notified by the Calculation Agent to the Issuer and the Holders (in accordance with Condition 15 (*Notices*)) in per cent. per annum equal to the yield, under the heading that represents the average for the week ending two New York business days prior to each Reset Date for calculating the Relevant Reset Distribution Rate under sub-paragraph (b)(ii) (*Rate of Distribution*) of Condition 4 (*Distribution*), appearing in the most recently published statistical release designated “*H.15(519)*” (weblink: <http://www.federalreserve.gov/releases/h15/current/default.htm>) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded US Treasury securities adjusted to constant maturity under the caption **“Treasury constant maturities”** for the maturity corresponding to the Comparable Treasury Issue. If such release (or any successor release) is not published during the week preceding the relevant date for calculation or does not contain such yields, **“US Treasury Benchmark Rate”** means the rate in per cent. per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the applicable Reset Date under paragraph (b) (*Rate of Distribution*) of Condition 4 (*Distribution*);

**“Voting Shares”** means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency); and

**“Winding-Up”** means a final and effective court order or effective resolution by a competent authority in the respective jurisdiction of the Issuer, the Guarantor or the Company for the winding-up, liquidation or similar proceedings in respect of the Issuer, the Guarantor or the Company (as applicable).

## SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM

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

*Terms defined in the Terms and Conditions set out in this Supplemental Offering Circular have the meaning in the paragraphs below.*

The Securities will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depository on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay to the Holder represented by the Global Certificate the amount payable upon redemption under the Terms and Conditions in respect of the Securities represented by the Global Certificate and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of such Securities in arrear in such circumstances as the same may become payable in accordance with the Terms and Conditions.

The Global Certificate will become exchangeable in whole, but not in part, for Individual Certificates if (a) Euroclear or Clearstream 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 (*Non-payment*) occurs.

Whenever the Global Certificate is to be exchanged for Individual Certificates, such Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the Holder of the Global Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required to complete and deliver such Individual Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Securities scheduled thereto and, in particular, shall be effected without charge to any Holder 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 Certificate will contain provisions which modify the Terms and Conditions as they apply to the Securities evidenced by the Global Certificate. The following is a summary of certain of those provisions:

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

**Notices:** So long as the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system (an “**Alternative Clearing System**”), notices to Holders of Securities shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Securities in substitution for notification as required by the Terms and Conditions.

## CAPITALISATION AND INDEBTEDNESS

### CAPITALISATION AND INDEBTEDNESS OF THE COMPANY

The following table sets forth the consolidated capitalisation and indebtedness of the Company as at 30 June 2016 and as adjusted to give effect to the issue of the Securities before deduction of any fees, commissions and expenses. The following table should be read in conjunction with the Group's Unaudited Interim Financial Statements and related notes which are incorporated by reference in this Supplemental Offering Circular.

	As at 30 June 2016			
	Actual		As adjusted	
	(RMB)	(U.S.\$) <sup>(1)</sup>	(RMB)	(U.S.\$)
	(in thousands)		(in thousands)	
<b>Debt<sup>(1)</sup></b>				
Borrowings from central bank .....	800,000	120,375	800,000	120,375
Deposits from financial institutions .....	3,941,167	593,022	3,941,167	593,022
Placements from financial institutions .....	15,528,302	2,336,524	15,528,302	2,336,524
Financial assets sold under repurchase agreements ...	35,033,556	5,271,454	35,033,556	5,271,454
Borrowings .....	387,137,331	58,252,055	387,137,331	58,252,055
Due to customers .....	175,919,366	26,470,360	175,919,366	26,470,360
Income tax payable .....	1,986,104	298,847	1,986,104	298,847
Deferred tax liabilities .....	641,770	96,566	641,770	96,566
Bonds and notes issued .....	189,496,039	28,513,225	189,496,039	28,513,225
Other liabilities .....	131,085,501	19,724,266	131,085,501	19,724,266
<b>Total current borrowings .....</b>	<b>941,569,136</b>	<b>141,676,693</b>	<b>941,569,136</b>	<b>141,676,693</b>
<b>Equity</b>				
Equity attributable to equity holders of the				
Company .....	108,043,933	16,257,231	108,043,933	16,257,231
Perpetual capital instruments .....	6,399,783	962,967	6,399,783	962,967
Securities to be issued .....	—	—	[●]	[●]
Non-controlling interests .....	17,209,279	2,589,458	17,209,279	2,589,458
<b>Total equity .....</b>	<b>131,652,995</b>	<b>19,809,656</b>	<b>131,652,995</b>	<b>19,809,656</b>
<b>Total capitalisation<sup>(2)</sup> .....</b>	<b>1,073,222,131</b>	<b>161,486,350</b>	<b>[●]</b>	<b>[●]</b>

(1) Calculated at the exchange rate of U.S.\$1.00 = RMB6.6459 on 30 June 2016 as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Total capitalisation equals the sum of total debt and total equity.

There has been no material adverse change in the consolidated capitalisation and indebtedness of the Company since 30 June 2016.



## CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The following table sets forth the consolidated capitalisation and indebtedness of the Guarantor as at 30 June 2016 and as adjusted to give effect to the issue of the Securities before deduction of any fees, commissions and expenses. The following table should be read in conjunction with the Guarantor's Unaudited Interim Financial Statements and related notes included elsewhere in this Supplemental Offering Circular.

	As at 30 June 2016			
	Actual		As adjusted	
	(HK\$)	(U.S.\$) <sup>(1)</sup>	(HK\$)	(U.S.\$)
	(in thousands)		(in thousands)	
<b>Debt</b>				
Bank and other borrowings	17,067,118	2,199,626	17,067,118	2,199,626
Financial asset sold under repurchase agreement	2,666,754	343,694	2,666,754	343,694
Interest payable	4,751	612	4,751	612
Accounts payable	194,273	25,038	194,273	25,038
Financial liability designated at fair value through profit or loss	20,100	2,591	20,100	2,591
Amount due to a related company	348	45	348	45
Amount due to an associate	190	24	190	24
Amount due to a fellow subsidiary	966	124	966	124
Amount due to ultimate holding company	1,223	158	1,223	158
Loan from ultimate holding company	3,449,218	444,538	3,449,218	444,538
Income tax payable	414,131	53,374	414,131	53,374
Other liabilities	1,440,657	185,673	1,440,657	185,673
Notes payable	70,117,381	9,036,793	70,117,381	9,036,793
Deferred tax liabilities	431,082	55,558	431,082	55,558
<b>Total liabilities</b>	<b>95,808,192</b>	<b>12,347,848</b>	<b>95,808,192</b>	<b>12,347,848</b>
<b>Equity and reserves</b>				
Share capital	422,949	54,510	422,949	54,510
Retained profits	5,790,785	746,322	5,790,785	746,322
Statutory reserve	56,621	7,297	56,621	7,297
Investments revaluation reserve	1,264,347	162,950	1,264,347	162,950
Other reserve	—	—	—	—
Exchange reserve	(209,085)	(26,947)	(209,085)	(26,947)
Equity attributable to owners of the Guarantor	7,325,617	944,132	7,325,617	944,132
Non-controlling interests	546,396	70,420	546,396	70,420
Securities to be issued	—	—	[●]	[●]
<b>Total equity</b>	<b>7,872,013</b>	<b>1,014,552</b>	<b>7,872,013</b>	<b>1,014,552</b>
<b>Total equity and liabilities<sup>(2)</sup></b>	<b>103,680,205</b>	<b>13,362,400</b>	<b>[●]</b>	<b>[●]</b>

(1) Calculated at the exchange rate of U.S.\$1.00 = HK\$7.7591 on 30 June 2016 as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Total capitalisation equals the sum of total debt and total equity.

There has been no material adverse change in the consolidated capitalisation and indebtedness of the Guarantor since 30 June 2016.

## RECENT DEVELOPMENT OF THE ISSUER

### **Directors**

The directors of the Issuer at the date of this Supplemental Offering Circular are Ms. Gan Fen and Mr. Lai Ming Chun Eric. The directors of the Issuer do not hold any shares or options to acquire shares of the Issuer.

## **RECENT DEVELOPMENT OF THE GUARANTOR**

### **Issuance of Notes**

The Guarantor increased the total amount of the Programme from U.S.\$5 billion to U.S.\$11 billion in May 2016 and issued senior notes in the aggregate principal amount of U.S.\$2.5 billion under the Programme in June 2016.

### **Directors**

All directors of the Guarantor were appointed by the Company. As at the date of this Supplemental Offering Circular, the directors of the Guarantor are: Mr. Wang Pinghua, Ms. Gan Fen, Mr. Zhao Qiang, Mr. Wang Jin, Mr. Fu Wei and Mr. Wang Zhenlin.

## RECENT DEVELOPMENT OF THE GROUP

### Issuance of Bonds

On 2 March 2016, the Company issued 5-year fixed rate financial bonds with the principal of RMB10 billion at a coupon rate of 3.39% in the interbank bond market in the PRC.

On 18 July 2016, the Company obtained CBRC's approval for the proposed issue of financial bond in an aggregate amount of up to RMB30 billion in the interbank bond market in the PRC.

### Proposed A Share offering

The resolutions relating to the proposed initial public offering in the PRC and listing on the Shanghai Stock Exchange of not more than 6,894,742,669 ordinary share(s) with a nominal value of RMB1.00 each, which will be listed on the Shanghai Stock Exchange and traded in RMB of the Company ("A Share Offering") were approved by the meetings of board of directors of the Company (the "Board") held on 24 June 2016 and 15 July 2016 and meeting of the board of supervisors of the Company held on 15 July 2016. Matters relating to the A Share Offering shall be approved by the shareholders of the Company on the extraordinary general meeting and certain resolutions shall be approved by the extraordinary general meeting, domestic shareholders' class meeting and H shareholders' class meeting respectively. In addition, the A Share Offering shall be approved by the China Securities Regulatory Commission and other relevant regulatory authorities. The Company will convene the extraordinary general meeting, domestic shareholders' class meeting and H shareholders' class meeting on 13 September 2016 for considering the matters relating to the A Share Offering.

### Huarong Kunlun Qinghai Asset Management Co., Ltd.

Huarong Kunlun Qinghai Asset Management Co., Ltd. (華融昆侖青海資產管理股份有限公司) ("Huarong Kunlun"), the establishment of which the Company was involved, has officially commenced business operations on 23 June 2016. Huarong Kunlun is a local asset management company in the Qinghai Province, established through the joint efforts and close cooperation of the Company and the People's Government of Qinghai Province.

The registered capital of Huarong Kunlun is RMB1 billion and its business scope includes asset management, investment, comprehensive financial services and other business activities approved by the regulatory authorities.

### Huarong Huang Gongwang Financial Town

The Company has reached consensus with the People's Government of Zhejiang Province on a strategic cooperation agreement. Meanwhile, the Huarong Huang Gongwang Financial Town (華融黃公望金融小鎮), developed through the joint efforts of both parties, was officially inaugurated in August 2016.

### Selected Financial Information of the Group for the First Six Months of 2016

As of 30 June 2016, the Group had total assets of approximately RMB1,073.2 billion, ranked first among the asset management companies in the PRC.

The Group has accumulated significant cross-industry and cross-economic cycle technical skills from its operations, especially in the acquisition, operation and disposal of distressed assets. As a result of its outstanding commercial operations capabilities, the Group achieved excellent operating results during the six months ended 30 June 2016, its annualised IRR on completed projects<sup>1</sup> was 16.2% and its annualised exit multiple of DES Assets disposed<sup>2</sup> was 3.7x. The Company's annualised return on monthly average gross amount of distressed debt assets<sup>3</sup> was 11.9%.

As the first asset management company in the PRC to carry out businesses on a large scale based on the acquisition-and-restructuring model, the Group has accumulated from its strong capabilities in product

<sup>1</sup> IRR on completed projects means the rate of return that makes the net present value (NPV) of all cash inflows and outflows from all the acquisition-and-disposal projects completed in a given year during the period from the time of acquisition to the time of disposal equal to zero.

<sup>2</sup> Exit multiple of DES Assets disposed equals the sum of (i) the net gain on DES Assets disposed in a particular period and (ii) the acquisition cost of DES Assets disposed divided by the acquisition cost of the DES Assets disposed.

<sup>3</sup> Annualised return on monthly average gross amount of distressed debt assets equals income from distressed debt assets for the year divided by the average gross amount of distressed debt assets at the end of each month.

innovation, enterprise restructuring and risk management, extensive industry experience and advantages in resources, all of which lay a solid foundation for the development of its acquisition-and-restructuring business. As a result, for the six months ended 30 June 2016, the Company's impaired distressed debt assets ratio<sup>4</sup> was 1.7%, its allowance to distressed debt assets ratio<sup>5</sup> was 7.6% and its impaired distressed debt assets coverage ratio was 448.9%<sup>6</sup>.

By leveraging its multiple financial licences, the Group also provides its clients with flexible, customised and diversified financing channels and financial products through a comprehensive financial services platform including Huarong Securities Co., Ltd. (“**Huarong Securities**”), China Huarong Financial Leasing Co., Ltd. (“**Huarong Financial Leasing**”) and Huarong Xiangjiang Bank Corporation Limited (“**Xiangjiang Bank**”). For the six months ended 30 June 2016, the profit before tax of Huarong Securities, Huarong Financial Leasing and Xiangjiang Bank was RMB1,231 million, RMB1,037 million and RMB1,639 million, respectively. As of 30 June 2016, the net assets of Huarong Securities, Huarong Financial Leasing and Xiangjiang Bank was RMB9,288 million, RMB10,434 million and RMB13.5 billion, respectively, representing an Annualised ROAE<sup>7</sup> of 19.8%, 15.1% and 19.7%, respectively.

The Group strives to maintain a strong capital base to strength its risk management capabilities. As of 30 June 2016, the capital adequacy ratio of the Company, calculated using the methods required under the Notice on the Issuance of Off-site Supervision Information System for Financial Asset Management Companies by the General Office of the CBRC (Yin Jian Ban Fa [2016] No.38) (《中國銀監會辦公廳關於印發金融資產管理公司非現場監管報表指標體系的通知》(銀監辦發[2016]38號)) issued by the CBRC and effective on 1 March 2016, was 13.7%, higher than the regulatory requirement of 12.5%.

### **Change of the Board and Senior Management of the Company**

The Board approved the proposed appointment of Mr. Zhou Langlang as a non-executive director of the Company in June 2016. The appointment of Mr. Zhou as a non-executive director of the Company shall become effective upon the approval by the shareholders of the Company at the shareholders' general meeting, and upon approval by CBRC for his directorship qualifications (whichever is later). Mr. Zhou, born in July 1980, has been a managing director of Warburg Pincus Asia LLC since 2005 and is currently a director of Datong International Holdings Limited. Mr. Zhou served as an associate of the investment banking division of Citibank from 2004 to 2005 and an analyst of the investment banking division of Credit Suisse First Boston from 2003 to 2004. Mr. Zhou obtained a bachelor's degree in business and a bachelor's degree in electrical engineering from the University of Western Ontario in 2002.

On 24 June 2016, the appointment of Mr. Shao Jingchun as an independent non-executive director of the Company was approved by the shareholders of the Company at the annual general meeting for 2015. Mr. Shao will take office upon receiving the approval from the CBRC on his directorship qualification. Mr. Shao, born in May 1956, has been an associate professor and a professor of the Law School of Peking University since August 1994; a guest researcher of the Institute of European Studies from September 1990 to August 1991; a post-doctoral fellow of the European University Institute from September 1989 to August 1990; and a lecturer of the faculty of law of Peking University from July 1988 to September 1989.

In addition, Mr. Liang Zhijun and Ms. Zhang Lin have each been approved to retire from their respective positions as vice president of the Company due to age, with effect from 8 June 2016.

<sup>4</sup> Impaired distressed debt assets ratio equals impaired distressed debt assets divided by the gross amount of distressed debt assets.

<sup>5</sup> Allowance to distressed debt assets ratio equals allowance for impairment losses divided by the gross amount of distressed debt assets.

<sup>6</sup> Impaired distressed debt assets coverage ratio equals allowance for impairment losses divided by the impaired distressed debt assets.

<sup>7</sup> Annualised ROAE means return on average equity attributable to equity holders of the parent company; represents the percentage of profit attributable to equity holders of the relevant entity for the period in the average balance of equity attributable to equity holders of the relevant entity as at the beginning and the end of the period.

## GENERAL INFORMATION

### 1. Listing

Application has been made to the SEHK for the listing of the Securities by way of debt issues to professional investors only. The issue price of Securities listed on the SEHK will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of the Securities, commence on or about [●].

### 2. Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Securities under the Programme and performance of its obligations under the Securities, the Trust Deed, the Agency Agreement, the Keepwell Deed and the Deed of Undertaking. The issue of the Securities thereunder were authorised by a written resolution of the board of directors of the Issuer passed on 2 September 2016.

The Guarantor has obtained all consents, approvals and authorisations in connection with the giving of the Guarantee of the Securities and the performance of its obligations under the Trust Deed, the Guarantee of the Securities, the Agency Agreement, the Keepwell Deed and the Deed of Undertaking. The giving of the Guarantee of the Securities was authorised by a meeting minutes of the board of directors of the Guarantor passed on 2 September 2016.

The Company has obtained all necessary consents, approvals and authorisations in connection with the entry into of the Keepwell Deed and the Deed of Undertaking and the performance of its obligations under the Trust Deed, the Agency Agreement, the Keepwell Deed and the Deed of Undertaking. The entry into of the Keepwell Deed and the Deed of Undertaking was authorised by resolutions of the Company passed on 17 March 2016.

### 3. NDRC Registration

Pursuant to the Pilot Programme on Promoting the Reform of the Administrative System on the Size of Foreign Debt Issued by Enterprises in 2016 issued by the NDRC on 7 June 2016, the Company, among the 21 pilot enterprises, has been granted the Quota for foreign debt to be issued in 2016 by the NDRC on 27 May 2016. Under the Pilot Programme, as the Securities will be issued within the Quota, the Company is not required to complete the pre-issuance registration in respect of the Securities with the NDRC but is still required to file with the NDRC the requisite information on the issuance of the Securities after the issuance of such Securities. After the issuance of the Securities, the requisite information on the issuance of the Securities will be provided by the Company to the NDRC within the time period prescribed by the Pilot Programme and the terms of the Quota.

### 4. Significant/Material Change

Except as disclosed in this Supplemental Offering Circular, there has been no material adverse change since 30 June 2016 in the financial or trading position, prospects or results of operations of the Issuer, the Guarantor, the Company or the Group.

### 5. Legal and Arbitration Proceedings

None of the Issuer, the Guarantor, the Company or any member of the Group is involved in any litigation or arbitration proceedings, which the Issuer, the Guarantor, the Company or the Group, as the case may be, believes may have, or have had during the 12 months period prior to the date of this Supplemental Offering Circular a significant adverse effect on the financial position or profitability of the Issuer, the Guarantor, the Company or the Group and, so far as the Issuer, the Guarantor or the Company is aware, no such litigation or arbitration proceedings are pending or threatened.

## **6. Auditor**

The audited consolidated financial statements of the Group as at and for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2015 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, which are included elsewhere in the Offering Circular. The unaudited but reviewed consolidated financial information of the Group as at and for the six months ended 30 June 2016 which are incorporated by reference in the Offering Circular and this Supplemental Offering Circular have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants.

The audited consolidated financial statements of the Guarantor and its as at 31 December 2013, 2014 and 2015 and for the period from 2 January 2013 (date of incorporation) to 31 December 2013 and the years ended 31 December 2014 and 2015, which are included elsewhere in the Offering Circular, have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants. The unaudited but reviewed consolidated financial statements of the Guarantor Group as at and for the six months ended 30 June 2015 and 2016 which are included elsewhere in this Supplemental Offering Circular have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants.

The independent auditors of the Group and the Guarantor have given and not withdrawn their written consent to the reproduction of their audit reports on the Group's Audited Financial Statements and the Guarantor's Audited Financial Statements, respectively and their review report on the Guarantor's Unaudited Interim Financial Statements in this Supplemental Offering Circular and with references to Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch and Deloitte Touche Tohmatsu, Certified Public Accountants, respectively, in the form and context in which they appear. Their consent should not be construed as in any way updating or refreshing the aforementioned audit reports.

## **7. Documents on Display**

Copies of the following documents will be available for inspection and, in the case of the documents referred to in paragraphs (ii) and (iii) below, copies may be obtained during normal business hours at the specified office of the Guarantor at China Huarong Tower, No. 60 Gloucester Road, Wan Chai, Hong Kong for so long as the Securities are capable of being issued under the Programme:

- (i) constitutional documents (or equivalent) of the Issuer, the Guarantor and the Company;
- (ii) copies of the Group's Audited Financial Statements, the Guarantor's Audited Financial Statements and the Guarantor's Unaudited Interim Financial Statements;
- (iii) copies of the unaudited but reviewed consolidated financial statements of the Group as at and for the six months ended 30 June 2015 and 2016;
- (iv) a copy of the Offering Circular, together with this Supplemental Offering Circular;
- (v) the Agency Agreement;
- (vi) the Trust Deed (which contains the forms of the Securities in global and definitive form);
- (vii) the Keepwell Deed; and
- (viii) the Deed of Undertaking.

## **8. Clearing of the Securities**

The Securities may be accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code 148606048 and International Securities Identification Number XS1486060483.

## INDEX TO FINANCIAL STATEMENTS

### THE UNAUDITED BUT REVIEWED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2016

Report of Review of Interim Financial Information .....	F-2
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income .....	F-4
Condensed Consolidated Statement of Financial Position .....	F-5
Condensed Consolidated Statement of Changes in Equity .....	F-7
Condensed Consolidated Statement of Cash Flows .....	F-8
Notes to the Consolidated Financial Statements .....	F-9



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF  
CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED

中國華融國際控股有限公司

(incorporated in Hong Kong with limited liability)

### **Introduction**

We have reviewed the condensed consolidated financial statements of China Huarong International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 30, which comprise the condensed consolidated statement of financial position as of 30 June 2016, and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF  
CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED - continued  
中國華融國際控股有限公司  
(incorporated in Hong Kong with limited liability)

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
29 August 2016

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED

中國華融國際控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTES	1.1.2016 to 30.6.2016 HK\$'000 (unaudited)	1.1.2015 to 30.6.2015 HK\$'000 (unaudited)
Revenue	3	2,480,264	1,427,164
Investment income	5	2,548,567	1,511,743
Other (losses) gains		(22,435)	20
Bank interest income		19,090	77,596
Net exchange (loss) gain		(90,747)	41,240
Operating expenses		(240,356)	(123,291)
Impairment loss	9&12	(22,588)	(280,435)
Finance costs	6	(1,579,725)	(858,583)
Change in net assets attributable to other holders of consolidated structured entities		11	-
Share of results of associates		35,569	(1,747)
Profit before taxation	7	3,127,650	1,793,707
Income tax expense	8	(479,968)	(287,087)
Profit for the period		2,647,682	1,506,620
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		(48,442)	6,948
Fair value changes of available-for-sale investments		1,462,634	5,636
Other comprehensive income for the period (net of tax)		1,414,192	12,584
Total comprehensive income for the period		4,061,874	1,519,204
Profit for the period attributable to:			
Owners of the Company		2,542,492	1,506,620
Non-controlling interests		105,190	-
		2,647,682	1,506,620
Total comprehensive income attributable to:			
Owners of the Company		3,956,684	1,519,204
Non-controlling interests		105,190	-
		4,061,874	1,519,204

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED

中國華融國際控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	<u>NOTES</u>	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
<b>Assets</b>			
Bank balances and cash	10	12,895,900	8,445,231
Restricted bank balances	11	251,851	623,241
Pledged bank deposits	10	10,414	10,353
Interest receivable		19,537	34,609
Accounts receivable	12	2,695,579	1,351,557
Deposits and other receivables	19	2,452,579	111,528
Held for trading investments	13	7,370,742	4,078,849
Financial assets designated at fair value through profit or loss	14	12,504,140	11,128,670
Available-for-sale investments	15	12,794,984	9,361,816
Loans and advances	9	27,238,308	24,376,776
Amount due from an associate	16	175,272	775,100
Amount due from ultimate holding company	16	169	210
Loans to fellow subsidiaries	16	20,097,129	6,925,633
Investments in associates	17	4,987,425	4,662,610
Property and equipment		15,972	14,795
Goodwill		109,136	109,136
Other intangible assets		32,060	31,036
Deferred tax assets	18	29,008	118,343
<b>Total assets</b>		<u>103,680,205</u>	<u>72,159,493</u>
<b>Liabilities</b>			
Bank and other borrowings	20	17,067,118	12,531,313
Financial asset sold under repurchase agreement	21	2,666,754	-
Interest payable		4,751	6,279
Accounts payable	22	194,273	602,269
Financial liability designated at fair value through profit or loss	14	20,100	-
Amount due to a related company	16	348	348
Amount due to an associate	16	190	190
Amount due to a fellow subsidiary	16	966	985
Amount due to ultimate holding company	16	1,223	1,926
Loan from ultimate holding company	16	3,449,218	2,483,038
Income tax payable		414,131	242,826
Other liabilities	23	1,440,657	1,331,513
Notes payable	24	70,117,381	50,768,738
Deferred tax liabilities	18	431,082	368,536
<b>Total liabilities</b>		<u>95,808,192</u>	<u>68,337,961</u>

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED

中國華融國際控股有限公司

	<u>NOTES</u>	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Equity and reserves			
Share capital	25	422,949	422,949
Retained profits		5,790,785	3,248,293
Statutory reserve		56,621	56,621
Investments revaluation reserve		1,264,347	(198,287)
Other reserve		-	74,620
Exchange reserve		(209,085)	(160,643)
Equity attributable to owners of the Company		<u>7,325,617</u>	<u>3,443,553</u>
Non-controlling interests		<u>546,396</u>	<u>377,979</u>
Total equity		<u>7,872,013</u>	<u>3,821,532</u>
Total equity and liabilities		<u><u>103,680,205</u></u>	<u><u>72,159,493</u></u>

**CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED**

中國華融國際控股有限公司

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Share capital HK\$'000	Statutory reserve HK\$'000	Investments revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	422,949	-	3,000	199	-	367,209	793,357	-	793,357
Profit for the period	-	-	-	-	-	1,506,620	1,506,620	-	1,506,620
Other comprehensive income for the period	-	-	5,636	6,948	-	-	12,584	-	12,584
Total comprehensive income	-	-	5,636	6,948	-	1,506,620	1,519,204	-	1,519,204
At 30 June 2015 (unaudited)	422,949	-	8,636	7,147	-	1,873,829	2,312,561	-	2,312,561
At 1 January 2016 (audited)	422,949	56,621	(198,287)	(160,643)	74,620	3,248,293	3,443,553	377,979	3,821,532
Profit for the period	-	-	-	-	-	2,542,492	2,542,492	105,190	2,647,682
Exchange differences arising on translating foreign operations	-	-	-	(48,442)	-	-	(48,442)	-	(48,442)
Fair value changes of available-for- sale investments	-	-	1,462,634	-	-	-	1,462,634	-	1,462,634
Total comprehensive income (expense)	-	-	1,462,634	(48,442)	-	2,542,492	3,956,684	105,190	4,061,874
Effect on capital injection by other investors investors in an associate	-	-	-	-	(74,620)	-	(74,620)	-	(74,620)
Conversion of convertible notes (note)	-	-	-	-	-	-	-	63,227	63,227
At 30 June 2016 (unaudited)	422,949	56,621	1,264,347	(209,085)	-	5,790,785	7,325,617	546,396	7,872,013

Note: On 7 January 2016, a total principal amount of HK\$30,000,000 convertible notes issued by Huarong International Financial Holdings Limited ("HIFL"), a subsidiary of the Group has been converted into 60,000,000 shares of HIFL.

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED

中國華融國際控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	1.1.2016 to 30.6.2016 HK\$'000 (unaudited)	1.1.2015 to 30.6.2015 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	<u>(19,578,796)</u>	<u>(13,720,035)</u>
INVESTING ACTIVITIES		
Purchase of available-for-sale investments	(230,751)	(8,207,562)
Capital injection to associates	(75,513)	(1,131,054)
Distribution received from an associate upon expiry of partnership agreement	330,904	-
Dividend income from investments	504,835	391,996
Purchase of property and equipment	(3,861)	(2,778)
Purchase of intangible assets	(1,025)	-
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>524,589</u>	<u>(8,949,398)</u>
FINANCING ACTIVITIES		
Proceeds from bank and other borrowings raised	4,413,512	1,202,805
Proceeds from guaranteed notes issued	19,396,950	24,645,453
Guaranteed notes issuing costs paid	(101,756)	(134,502)
Loan from ultimate holding company	2,281,578	72,387
Repayment to a related company	-	(1)
Repayment to bank and other borrowings	(1,122,825)	-
Commitment fee paid	(8,373)	(4,617)
Interest paid	(1,462,445)	(285,352)
Contribution from non-controlling interest of consolidated investment funds	118,760	-
NET CASH FROM FINANCING ACTIVITIES	<u>23,515,401</u>	<u>25,496,173</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,461,194	2,826,740
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE HELD IN FOREIGN EXCHANGE	<u>(10,572)</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT 1 JANUARY 2016/1 JANUARY 2015	<u>8,398,167</u>	<u>1,149,743</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE 2016/30 JUNE 2015	<u><u>12,848,789</u></u>	<u><u>3,976,483</u></u>

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED

中國華融國際控股有限公司

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), rounded to the nearest thousand (HK\$'000) unless otherwise stated. They have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The financial information relating to the year ended 31 December 2015 that is included in these condensed consolidated financial statements as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

As the Company is not a public company as defined by the Hong Kong Companies Ordinance, the Group has not delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance.

The Group's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

Except as described below for the application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.



CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED

中國華融國際控股有限公司

3. REVENUE

	1.1.2016 to <u>30.6.2016</u> HK\$'000 (unaudited)	1.1.2015 to <u>30.6.2015</u> HK\$'000 (unaudited)
Arrangement fee and service income	169,141	322,821
Interest income from loans and advances	1,625,747	872,064
Interest income from financial assets designated at fair value through profit or loss	410,038	171,852
Interest income from fellow subsidiaries	205,298	60,427
Interest income from margin financing activities	70,040	-
	<u>2,480,264</u>	<u>1,427,164</u>

4. SEGMENT INFORMATION

No segments information identified by the chief operating decision maker ("CODM") have been aggregated in arriving at the condensed consolidated financial statements of the Group as the operating results of the whole Group are reviewed as one segment, which consists of the results of investment holding, securities brokerage, money lending services and consulting services, by the CODM to assess its performance. In the opinion of the directors of the Company, segment information by departments or subsidiaries does not give any additional value in view of the business lines of the Group.

The Group's revenue from customers of the corresponding periods mainly arise from its operation in Hong Kong and Mainland China. The Group's non-current assets are mainly located in Hong Kong and Mainland China.

5. INVESTMENT INCOME

	1.1.2016 to <u>30.6.2016</u> HK\$'000 (unaudited)	1.1.2015 to <u>30.6.2015</u> HK\$'000 (unaudited)
Net realised and unrealised gains (losses) on financial assets/liability at fair value through profit or loss		
- held for trading	884,769	681,261
- designated at fair value through profit or loss	(63,505)	431,733
Interest income from held for trading financial assets	17,065	6,753
Dividend income	537,994	391,996
Net gain on initial recognition of available-for-sale investments	1,172,244	-
	<u>2,548,567</u>	<u>1,511,743</u>

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED

中國華融國際控股有限公司

6.	FINANCE COSTS	1.1.2016 to <u>30.6.2016</u> HK\$'000 (unaudited)	1.1.2015 to <u>30.6.2015</u> HK\$'000 (unaudited)
	Interest on:		
	- bank and other borrowings	269,460	77,919
	- notes payable	1,202,337	780,664
	- loan from ultimate holding company	99,555	-
	Commitment fee on letters of credit	8,373	-
		<u>1,579,725</u>	<u>858,583</u>
7.	PROFIT BEFORE TAXATION	1.1.2016 to <u>30.6.2016</u> HK\$'000 (unaudited)	1.1.2015 to <u>30.6.2015</u> HK\$'000 (unaudited)
	Profit before taxation has been arrived at after charging:		
	Employee benefit expenses (including directors' remuneration)	102,007	65,391
	Depreciation	2,685	1,287
	Operating lease expenses - office premises	<u>44,584</u>	<u>8,399</u>
8.	INCOME TAX EXPENSE	1.1.2016 to <u>30.6.2016</u> HK\$'000 (unaudited)	1.1.2015 to <u>30.6.2015</u> HK\$'000 (unaudited)
	Current tax:		
	Hong Kong	312,033	144,872
	PRC Enterprise Income Tax	16,054	13,673
		<u>328,087</u>	<u>158,545</u>
	Deferred tax:		
	Current period	<u>151,881</u>	<u>128,542</u>
	Total income tax recognised in profit or loss	<u>479,968</u>	<u>287,087</u>

9. LOANS AND ADVANCES

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Loans and advances to customers	<u>27,238,308</u>	<u>24,376,776</u>

The management is satisfied with the credit quality of the loans and advances that are neither past due nor impaired, and the collateral held by the Group for these balances.

Details of the movement of the impairment losses on loans and advances are as follows:

	<u>Impairment</u>		
	<u>Individual</u> HK\$'000	<u>Collective</u> HK\$'000	<u>Total</u> HK\$'000
At 1 January 2015 (audited)	-	41,340	41,340
Net charge during the year	-	710,197	710,197
At 31 December 2015 (audited)	<u>-</u>	<u>751,537</u>	<u>751,537</u>

	<u>Impairment</u>		
	<u>Individual</u> HK\$'000	<u>Collective</u> HK\$'000	<u>Total</u> HK\$'000
At 1 January 2016 (audited)	-	751,537	751,537
Net charge during the period	-	12,978	12,978
At 30 June 2016 (unaudited)	<u>-</u>	<u>764,515</u>	<u>764,515</u>

Both allowances were deducted from the loan principal at the end of the reporting period directly.

The collective assessment takes into account the impairment that is likely to be present in the portfolio. Impairment losses are estimated by taking into consideration the following information: the chance of default for those loans and advances with similar credit risk characteristics in the portfolio as well as observable changes in economic conditions that correlate with default on receivables.

**CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED**

中國華融國際控股有限公司

10. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
Bank balances and cash	12,895,900	8,445,231
Pledged bank deposits	10,414	10,353
	<u>12,906,314</u>	<u>8,455,584</u>
Less: Pledged deposits for bank loans facilities (note 20)	10,414	10,353
Margin bank deposits (note 20)	47,111	47,064
	<u>12,848,789</u>	<u>8,398,167</u>

Bank balances and cash comprise current accounts, saving accounts and fixed deposits. The current accounts and savings accounts carry effective interest rate of 0.01% (2015: 0.01%) per annum. Fixed deposits have original maturity less than 3 months and carrying interest rate ranging from 0.01% - 4.25% (2015: 0.10% - 6.90%) per annum. While pledged bank deposits have original maturity less than 3 months and carrying interest rate of 2.00% (2015: 2.10%) per annum.

11. RESTRICTED BANK BALANCES

The Group maintains segregated trust accounts with licensed banks to hold clients' monies arising from its normal course of business licensed by the Securities and Futures Commission (the "SFC"). The Group has classified these clients' monies as restricted bank balances in the consolidated statement of financial position and recognised the corresponding amounts payable to the respective clients on the ground that it is liable for any loss or misappropriation of these client's monies. The Group is not permitted to use the client's monies to settle its own obligations.

12. ACCOUNTS RECEIVABLE

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
Margin loans to customers (note a)	2,253,673	868,473
Accounts receivable from brokerage business	50,522	42,403
Arrangement fee and service fee receivable (note b)	403,165	442,852
	<u>2,707,360</u>	<u>1,353,728</u>
Provision for impairment in relation to:		
- margin loans to customers	(11,572)	(1,951)
- accounts receivable from brokerage business	(209)	(220)
	<u>2,695,579</u>	<u>1,351,557</u>

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED

中國華融國際控股有限公司

12. ACCOUNTS RECEIVABLE - continued

The movements in provision for specific impairment of accounts receivable are as follows:

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
At beginning of period/year	2,171	3,562
Provided for (reversal of) during the period/year	<u>9,610</u>	<u>(1,391)</u>
At end of period/year	<u><u>11,781</u></u>	<u><u>2,171</u></u>

Notes:

- (a) No ageing analysis is disclosed in respect of margin loans to customers, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.
- (b) The arrangement fee and service fee receivable is to be received within one year.

13. HELD FOR TRADING INVESTMENTS

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
Listed equity investments, at fair value		
- in Hong Kong	4,883,904	3,473,301
- in Mainland China	7,809	10,553
Listed debt securities, at fair value		
- in Hong Kong	280,973	266,503
- in overseas	1,959,040	84,794
Unlisted investment funds, at fair value	<u>239,016</u>	<u>243,698</u>
	<u><u>7,370,742</u></u>	<u><u>4,078,849</u></u>

**CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED**

中國華融國際控股有限公司

14. FINANCIAL ASSETS (LIABILITY) DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
<b>Assets:</b>		
Convertible bonds	7,287,855	6,256,197
Structured products*	5,216,285	4,872,473
Total	<u>12,504,140</u>	<u>11,128,670</u>
<b>Liabilities:</b>		
Derivatives on listed equity investments, at fair value	(20,100)	-
	<u>(20,100)</u>	<u>-</u>

\* The Company and its subsidiaries entered into a series of structured transactions, including senior notes and warrants, loans with options, structured notes, put options on listed equity investments and other structured products, which are managed and their performance are evaluated on a fair value basis by the Group. Such structured products are accounted for as financial assets (liability) designated at fair value through profit or loss according to their investment management strategy.

15. AVAILABLE-FOR-SALE INVESTMENTS

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
Listed investments, at fair value:		
- equity securities (note a)	3,724,581	399,730
Unlisted investments, at fair value:		
- funds	8,993,893	8,875,433
- asset-backed security	58,545	68,688
Unlisted investments, at cost:		
- equity security (note b)	17,965	17,965
	<u>12,794,984</u>	<u>9,361,816</u>

Notes:

- (a) During the period, a gain of HK\$1,172,244,000 was recognised upon initial recognition of available-for-sale investments.
- (b) The unlisted equity investment represents investment in unlisted shares issued by a private entity incorporated in the PRC. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

16. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

	1.1.2016 to <u>30.6.2016</u> HK\$'000 (unaudited)	1.1.2015 to <u>30.6.2015</u> HK\$'000 (unaudited)
Interest income from fellow subsidiaries (note a)	205,298	60,427
Underwriting income from ultimate holding company (note b)	11,197	-
Commitment fee on letters of credit (note c)	8,373	5,760
Interest expense to ultimate holding company (note d)	<u>99,555</u>	<u>-</u>

Notes:

- (a) During the period, the Group granted unsecured loans amounting to USD1,700,000,000 (equivalent to HK\$13,189,926,000) (2015: Nil) to its fellow subsidiaries. These new loans carry a fixed interest rate from 3.37% to 5.79% per annum. The range of maturity date of these new loans is from 28 April 2019 to 3 June 2026. Details of the amount outstanding at the end of the reporting periods are set out in note (iv) below.
- (b) During the period, the Group earned final discretionary underwriting income from its ultimate holding company, China Huarong Asset Management Co., Ltd., in respect of services provided in the listing and initial public offering of shares of the ultimate holding company.
- (c) Amount being the commitment fee to the ultimate holding company for being the guarantor of the Company for bank borrowings. The Company's bank borrowings amounting to HK\$1,425,987,000 (2015: HK\$1,722,378,000) as at 30 June 2016 were guaranteed by the Company's ultimate holding company.
- (d) Amount being interest expense arisen from the loan from ultimate holding company at a fixed interest rate of 6.00% and 6.48% per annum and unsecured.

16. RELATED PARTY TRANSACTIONS - continued

The following balances were outstanding at the end of the reporting period:

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
Amount due from ultimate holding company (note i)	169	210
Amount due from an associate (note i)	175,272	775,100
Amount due to ultimate holding company (note ii)	1,223	1,926
Amount due to an associate (note ii)	190	190
Amount due to a related company (note ii)*	348	348
Amount due to a fellow subsidiary (note ii)	966	985
Loan from ultimate holding company (note iii)	3,449,218	2,483,038
Loans to fellow subsidiaries (note iv)	<u>20,097,129</u>	<u>6,925,633</u>

\* The related company is a shareholder of the Company.

Notes:

- (i) All amounts due from related parties are interest-free, unsecured and repayable on demand.
- (ii) All amounts due to related parties are interest-free, unsecured and repayable on demand.
- (iii) Amount represents loan from the ultimate holding company at a fixed interest rate of 6.00% and 6.48% per annum and unsecured.
- (iv) The amount consists of loans to fellow subsidiaries at a fixed interest rate from 3.37% to 7.85% per annum (2015: 4.955% to 7.85%) and unsecured. The range of maturity date of these loans are from 28 April 2019 to 3 June 2026 (2015: 30 June 2019 to 17 December 2025).

The Group is indirectly controlled by China Huarong Asset Management Co., Ltd. ("China Huarong"), which is indirectly controlled by the PRC government through the Ministry of Finance (the "MOF"). MOF is the major shareholder of China Huarong as at 30 June 2016. For the current period, the Group has undertaken transactions with certain entities directly or indirectly owned by the PRC government, including receiving loan facilities, rendering underwriting services, and providing standby letters of credit for bank borrowings. The directors of the Company are of opinion that these transactions are in normal business terms that do not require separate disclosure.



16. RELATED PARTY TRANSACTIONS - continued

Compensation of key management personnel

Key management personnel of the Group includes directors only. The remuneration of directors is as below:

	1.1.2016 to <u>30.6.2016</u> HK\$'000 (unaudited)	1.1.2015 to <u>30.6.2015</u> HK\$'000 (unaudited)
Short term employee benefits	3,526	6,342

17. INVESTMENTS IN ASSOCIATES

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
Cost of investments in associates		
- listed	1,546,525	1,471,012
- unlisted	3,265,795	3,046,421
Share of post-acquisition profits	75,222	70,557
Other changes in share of net assets due to capital injection by other investors after acquisition (note)	99,883	74,620
	<u>4,987,425</u>	<u>4,662,610</u>

Note: Balance represents increase in share of net assets in an associate due to capital injection by other investors after acquisition. The amount credited to profit or loss is HK\$24,926,000, which is included in "other (losses) gains" under the condensed consolidated statement of profit or loss and other comprehensive income in these financial statements.

17. INVESTMENTS IN ASSOCIATES - continued

**Disposal of an associate**

In the current interim period, on 23 June 2016, the Group received a final distribution of HK\$330,904,000 upon expiry of an unlisted fund, Caitong Structured New Energy Fund LP. Before the distribution, the Group owned 20% interest and the investment was previously accounted for as an associate using equity method.

There was no gain or loss upon expiry of the fund. Details are as follows:

	HK\$'000
Cash proceeds	330,904
Less: Carrying amount of Caitong Structured New Energy Fund LP on the date of its expiry	(330,904)
Gain (loss) recognised in profit or loss	<u>-</u>

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			At 30 June 2016 (unaudited)	At 31 December 2015 (audited)	At 30 June 2016 (unaudited)	At 31 December 2015 (audited)	
Huarong Minter Capital Limited (note a)	The Cayman Islands	Hong Kong	50.00%	50.00%	50.00%	50.00%	Investment holding
珠海銀隆新能源有限公司* (note b)	Mainland China	Mainland China	11.21%	13.64%	11.21%	13.64%	New energy industry
昆山聖賽諾爾傳感技術有限公司* (note c)	Mainland China	Mainland China	70.00%	70.00%	70.00%	70.00%	New energy industry
Huarong Minter Capital Healthcare Fund I (note d)	The Cayman Islands	Hong Kong	66.67%	66.67%	66.67%	66.67%	Investment holding
上海顧臻實業有限公司*	Mainland China	Mainland China	20.00%	20.00%	20.00%	20.00%	Real estate
上海華豚金融資訊服務有限公司* (note e)	Mainland China	Mainland China	9.09%	9.09%	9.09%	9.09%	Investment holding
Grand Flow Inc Limited	Hong Kong	Hong Kong	25.00%	25.00%	25.00%	25.00%	Real estate
China Healthcare Enterprise Group Limited	British Virgin Islands	Hong Kong	29.40%	29.40%	29.40%	29.40%	Electronic manufacturing services
Fortune Fund Company (note f)	The Cayman Islands	Hong Kong	15.00%	15.00%	15.00%	15.00%	Investment holding
Fortune Fund L.P. (note f)	The Cayman Islands	Hong Kong	16.03%	16.03%	16.03%	16.03%	Investment holding
China Huarong Tianxing Incorporation Oversea Acquisition Fund I Limited (note g)	The Cayman Islands	Hong Kong	49.00%	49.00%	49.00%	49.00%	Asset management
瑞控控股有限公司* (note h)	Hong Kong	Hong Kong	22.59%	16.29%	22.59%	16.29%	Investment holding
Chun Sing Engineering Holdings Limited (note i)	The Cayman Islands	Hong Kong	19.42%	-	19.42%	-	Properties and construction

\* The associates do not have a formal English name.

17. INVESTMENTS IN ASSOCIATES - continued

Notes:

- a. The Group is able to exercise significant influence over the investee because it has the power to appoint two out of the five directors of that company under the Articles of Association of that company and all board's decision shall be passed by four out of five representatives' consent.
- b. The Group is able to exercise significant influence over the investee because it has the power to appoint one out of the five directors of that company, all the board's decision shall be pass by two-third of the board.
- c. The Group holds 70% of the issued share capital of the investee. However, under a shareholders' agreement, the other shareholder controls the composition of the board of directors and the management of the investee and has control over the investee. The directors of the Company consider that the Group does have significant influence over the investee as it has appointed one director of that company and it is therefore classified as an associate of the Group.
- d. The Group is able to exercise significant influence over the investee because it has the power to appoint two out of the five members of the investment committee and all committee's decision shall be passed by four out of five representatives' consent.
- e. The Group is able to exercise significant influence over the investee because it has the power to appoint one out of the five directors of that company under the Articles of Association of that company.
- f. The Group is able to exercise significant influence over the investee because it has the power to appoint one out of the six directors and members of the board and the investment committee and all board and committee's decision shall be unanimous with a quorum of at least four members represent.
- g. According to the cooperation agreement between the Group and third party investors, the Group has one out of three representatives in the board of directors of the investee and all board's decisions shall be passed by 50% consent from the representatives so that the Group is able to exercise significant influence over the investee.
- h. The Group is able to exercise significant influence over the investee because its shareholdings was 22.59% and it has the power to appoint one out of six directors of that company under the agreement with other shareholder of that company.
- i. The Group is able to exercise significant influence over the investee because it has appointed one out of seven directors and being the second largest shareholder of that company. Subsequent to 30 June 2016, the Group's ownership interest in the investee has increased to 27.99%.

18. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purpose:

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
Deferred tax assets	29,008	118,343
Deferred tax liabilities	<u>431,082</u>	<u>368,536</u>

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED

中國華融國際控股有限公司

18. DEFERRED TAXATION - continued

The following is the deferred tax balances recognised and movements thereon during the current period and prior period:

	<u>Impairment on loans and advances</u> HK\$'000	<u>Unrealised gains from investments</u> HK\$'000	<u>Total</u> HK\$'000
At 1 January 2015 (audited)	6,821	(9,065)	(2,244)
Credit (charge) to profit or loss	<u>111,522</u>	<u>(359,471)</u>	<u>(247,949)</u>
At 31 December 2015 (audited)	118,343	(368,536)	(250,193)
Credit (charge) to profit or loss	<u>6,609</u>	<u>(158,490)</u>	<u>(151,881)</u>
At 30 June 2016 (unaudited)	<u><u>124,952</u></u>	<u><u>(527,026)</u></u>	<u><u>(402,074)</u></u>

19. DEPOSITS AND OTHER RECEIVABLES

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
Refundable deposit (note)	698,292	-
Dividend receivable	33,159	-
Receivable from a pending trade	1,590,605	-
Other receivables	<u>130,523</u>	<u>111,528</u>
	<u><u>2,452,579</u></u>	<u><u>111,528</u></u>

Note: The refundable deposit is related to an agreement with an independent third party on investing in an unlisted fund.

20. BANK AND OTHER BORROWINGS

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Bank borrowings		
- secured	1,425,987	1,722,378
- unsecured	12,533,259	8,867,944
	<u>13,959,246</u>	<u>10,590,322</u>
Other borrowings		
- unsecured	3,107,872	1,940,991
Total bank and other borrowings	<u>17,067,118</u>	<u>12,531,313</u>
Carrying amount repayable*:		
Within one year	12,678,680	8,646,476
More than one year, but not exceeding five years	4,388,438	3,884,837

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The bank borrowings carry interest at HIBOR plus 1.20% to 3.50% and LIBOR plus 1.52% to 3.80% (2015: HIBOR plus 1.20% to 3.50% and LIBOR plus 1.53% to 3.80%) per annum and contain repayable on demand clause.

The other borrowings carry interest at 6.48% per annum and are unsecured.

As at 30 June 2016, the Group has revolving loan facilities which are secured by pledge of the Group's time deposits with carrying amount of HK\$10,414,000 (2015: HK\$10,353,000) (note 10). The Group has not utilised these facilities at the end of the reporting period.

The secured bank borrowings are guaranteed by standby letters of credit guaranteed by the ultimate holding company. Also, the Group has undertaken to deposit HK\$47,111,000 (2015: HK\$47,064,000) (note 10) in a margin bank deposit account to secure the bank borrowings.

21. FINANCIAL ASSET SOLD UNDER REPURCHASE AGREEMENT

As of 30 June 2016, the financial asset sold under repurchase agreement is a listed bond with nominal value of US\$349,500,000.

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED

中國華融國際控股有限公司

22. ACCOUNTS PAYABLE

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
Current to 1 month	<u>194,273</u>	<u>602,269</u>

The accounts payable are unsecured and repayable on the settlement date of the relevant trades or upon demand from customers.

As at 30 June 2016, accounts payable with carrying amount of HK\$181,615,000 (2015: HK\$566,209,000) are interest-bearing at bank savings deposit rates.

23. OTHER LIABILITIES

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
Provision of employee benefits	294,862	331,343
Notes issuance cost payable	74,647	64,741
Payable to a purchaser of rights on investment return on interests in an associate	-	71,708
Liabilities to non-controlling interests of consolidated investment funds	942,373	807,986
Sundry tax payable	14,168	39,308
Receipts in advance	30,287	9,896
Other payables	84,320	6,531
	<u>1,440,657</u>	<u>1,331,513</u>

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED

中國華融國際控股有限公司

24. NOTES PAYABLE

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Fixed rate notes		
- listed (note 1)	70,117,381	50,742,345
Convertible note		
- unlisted (note 2)	-	26,393
	<u>70,117,381</u>	<u>50,768,738</u>

Notes:

1. Fixed rate notes

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
10-year 4.625% fixed rate medium term U.S. dollar notes (note a)	6,904,505	-
10-year 5% fixed rate medium term U.S. dollar notes (note b)	6,199,153	6,178,513
10-year 5.5% fixed rate medium term U.S. dollar notes (note c)	10,977,970	10,961,078
5-year 3.25% fixed rate medium term U.S. dollar notes (note d)	6,944,364	-
5-year 3.75% fixed rate medium term U.S. dollar notes (note e)	3,864,960	3,858,193
5-year 4.5% fixed rate medium term U.S. dollar notes (note f)	9,445,657	9,429,857
5-year 4% fixed rate U.S. dollar bonds (note g)	9,414,175	9,394,399
3-year 2.75% fixed rate medium term U.S. dollar notes (note h)	5,424,736	-
3-year 2.875% fixed rate medium term U.S. dollar notes (note i)	3,877,084	3,870,434
3-year 3.5% fixed rate medium term U.S. dollar notes (note j)	4,711,233	4,701,271
3-year 3% fixed rate U.S. dollar bonds (note k)	2,353,544	2,348,600
	<u>70,117,381</u>	<u>50,742,345</u>

24. NOTES PAYABLE - continued

Notes: - continued

1. Fixed rate notes - continued

Notes:

- (a) The 10-year fixed rate medium term U.S. dollar notes with principal of USD900 million were issued in June 2016 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company, with coupon rate of 4.625% per annum, payable semi-annually.
  - (b) The 10-year fixed rate medium term U.S. dollar notes with principal of USD800 million were issued in November 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Group, with coupon rate of 5% per annum, payable semi-annually.
  - (c) The 10-year fixed rate medium term U.S. dollar notes with principal of USD1,400 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Group, with coupon rate of 5.5% per annum, payable semi-annually.
  - (d) The 5-year fixed rate medium term U.S. dollar notes with principal of USD900 million were issued in June 2016 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company, with coupon rate of 3.25% per annum, payable semi-annually.
  - (e) The 5-year fixed rate medium term U.S. dollar notes with principal of USD500 million were issued in November 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Group, with coupon rate of 3.75% per annum, payable semi-annually.
  - (f) The 5-year fixed rate medium term U.S. dollar notes with principal of USD1,200 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Group, with coupon rate of 4.5% per annum, payable semi-annually.
  - (g) The 5-year fixed rate U.S. dollar bonds with principal of USD1,200 million were issued in July 2014 by Huarong Finance Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Group, with coupon rate of 4.0% per annum, payable annually.
  - (h) The 3-year fixed rate medium term U.S. dollar notes with principal of USD700 million were issued in June 2016 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company, with fixed coupon rate of 2.75% per annum, payable semi-annually.
  - (i) The 3-year fixed rate medium term U.S. dollar notes with principal of USD500 million were issued in November 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Group, with fixed coupon rate of 2.875% per annum, payable semi-annually.
  - (j) The 3-year fixed rate medium term U.S. dollar notes with principal of USD600 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Group, with fixed coupon rate of 3.5% per annum, payable semi-annually.
  - (k) The 3-year fixed rate U.S. dollar bonds with principal of USD300 million were issued in July 2014 by Huarong Finance Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Group, with coupon rate of 3% per annum, payable annually.
2. Convertible note was issued by HIFL on 19 February 2014. As at 31 December 2015, the outstanding principal of the convertible note was HK\$ 30,000,000. The liability component of the convertible note is recorded in the notes payable and the equity component is recorded in the non-controlling interest. All outstanding convertible note was subsequently converted to ordinary shares on 7 January 2016.



25. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Issued and fully paid:		
At 1 December 2015, 31 December 2015, 1 January 2016 and 30 June 2016	420,000	422,949

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

**Fair value of the Group's financial assets that are measured at fair value on a recurring basis**

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments

The following table gives information about how the fair value of these financial assets is determined (in particular, the valuation technique and inputs used). Except as detailed in the following table, the directors of the Company consider that the carrying amounts of other financial assets and liabilities recognised in the consolidated financial statements approximate their fair values.

Financial assets (liability)	Fair value as at		Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Reasonable significant change in unobservable inputs	Increase(+)/decrease(-) in fair value of financial assets by reasonable change in unobservable inputs HK\$'000
	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)						
<b>Recurring fair value measurement:</b>								
<b>Held for trading investments</b>								
- Listed equity investments								
- in Hong Kong	4,883,904	3,473,301	Level 1	Quoted bid prices in an active market.	N/A	N/A	N/A	N/A
- in Mainland China	7,809	10,553	Level 1	Quoted bid prices in an active market.	N/A	N/A	N/A	N/A
- Listed debt securities								
- in Hong Kong	280,973	266,503	Level 1	Quoted bid prices in an active market.	N/A	N/A	N/A	N/A
- in overseas	1,959,040	84,794	Level 1	Quoted bid prices in an active market.	N/A	N/A	N/A	N/A
- Unlisted investment funds	203,689	205,314	Level 2	Calculated based on the fair value of the underlying investments which are publicly traded debt securities or equity instruments in each portfolio.	N/A	N/A	N/A	N/A
- Unlisted investment funds	35,327	38,384	Level 3	The Group has determined that the reported net asset value represents fair value at the end of the reporting period.	- Net assets value	- The higher the net assets value, the higher the fair value.	10%	+3,533/ -3,533
<b>Available-for-sale investments</b>								
- Listed equity investments in Hong Kong	3,724,581	399,730	Level 1	Quoted bid prices in an active market.	N/A	N/A	N/A	N/A
- Unlisted funds	481,146	477,304	Level 2	Calculated based on the fair value of the underlying investments which are publicly traded debt securities or equity instruments in each portfolio.	N/A	N/A	N/A	N/A
- Unlisted funds	8,512,747	8,398,129	Level 3	The Group has determined that the reported net asset value represents fair value at the end of the reporting period.	- Net assets value	- The higher the net assets value, the higher the fair value.	10%	+851,274/ -851,274
- Unlisted asset-backed security	58,545	68,688	Level 3	The Group has determined that the reported net asset value represents fair value at the end of the reporting period.	- Net assets value	- The higher the net assets value, the higher the fair value.	10%	+5,855/ -5,855
<b>Financial assets (liability) designated at fair value through profit or loss</b>								
- Unlisted convertible bonds	7,287,855	6,256,197	Level 3	Discounted cash flow for the debt component and option pricing model for the option component.	- Discount rates - Volatility rates	- The higher the discount rates, the lower the fair value. - The higher the volatility rates, the higher the fair value.	10% 10%	-139,193/ +146,976 +68,907/ -89,336

**CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED**  
**中國華融國際控股有限公司**

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

Financial assets (liability)	Fair value as at		Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Reasonable significant change in unobservable inputs	Increase(+)/decrease(-) in fair value of financial assets by reasonable change in unobservable inputs HK\$'000
	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)						
Recurring fair value measurement:								
- Unlisted structured products	1,516,066	1,470,131	Level 3	Option pricing model for the option, and discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	- Discount rates	- The higher the discount rates, the lower the fair value.	10%	-2,918/ +2,945
					- Volatility rates	- The higher the volatility rates, the higher the fair value. - The higher recoverable amounts, the higher the fair value.	10%	+10,236/ -10,222
- Unlisted structured products	3,700,219	3,402,342	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	- Discount rates	- The higher recoverable amounts, the higher the fair value.  - The earlier the recovery date, the higher the fair value. - The higher the discount rates, the lower the fair value.	10%	-43,297/ +103,551
- Derivatives on a listed equity investment	(20,100)	-	Level 3	Binomial option pricing model. The key inputs are exercise price of the options, current share price of the underlying assets of the options, expected volatility, time to maturity, risk free rate, dividend yield and discount rate.	- Risk free rates	- The higher the risk free, the lower the fair value.	10%	-82/ +82
					- Volatility rates	- The higher the volatility rates, the higher the fair value.	10%	+401/ -371
<b>Other liabilities</b>								
- Non-controlling interests of unlisted consolidated investment fund	(39,475)	(32,886)	Level 2	Share of net asset value based on (i) the fair value of underlying investments which are publicly traded equity investments or the fair value of unlisted convertible investments and (ii) the terms of the consolidated investment funds.	N/A	N/A	N/A	N/A
- Non-controlling interests of unlisted consolidated investment fund	(775,879)	(775,100)	Level 3	Share of net asset value based on the terms of the consolidated investment fund.	- Net assets value	- The higher the net assets value, the higher the fair value.	10%	+77,587/ -77,587
- Non-controlling interests of unlisted consolidated investment fund	(127,019)	-	Level 3	Share of net asset value based on (i) the fair value of underlying investments which are publicly traded equity investments or the fair value of unlisted convertible investments and (ii) the terms of the consolidated investment funds.	- Discount rates	- The higher the discount rates, the lower the fair value.	10%	-22,657/ +1,020
					- Volatility rates	- The higher the volatility rates, the higher the fair value.	10%	+16,574/ -699
	<u>31,689,428</u>	<u>23,743,384</u>						

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Fair value hierarchy

	<u>Level 1</u> HK\$'000	<u>Level 2</u> HK\$'000	<u>Level 3</u> HK\$'000	<u>Total</u> HK\$'000
<u>As at 30 June 2016 (unaudited)</u>				
<b>Financial assets</b>				
Held for trading investments	7,131,726	203,689	35,327	7,370,742
Financial assets designated as at fair value through profit or loss	-	-	12,504,140	12,504,140
Available-for-sale investments	3,724,581	481,146	8,571,292	12,777,019
<b>Financial liability</b>				
Financial liability designated as at fair value through profit or loss	-	-	(20,100)	(20,100)
<b>Other liabilities</b>				
Non-controlling interests of unlisted consolidated investment fund	-	(39,475)	(902,898)	(942,373)
<u>As at 31 December 2015 (audited)</u>				
<b>Financial assets</b>				
Held for trading investments	3,835,151	205,314	38,384	4,078,849
Financial assets designated as at fair value through profit or loss	-	-	11,128,670	11,128,670
Available-for-sale investments	399,730	477,304	8,466,817	9,343,851
<b>Other liabilities</b>				
Non-controlling interests of unlisted consolidated investment fund	-	(32,886)	(775,100)	(807,986)

The fair value of Level 3 financial assets are mainly derived from an unobservable range of data. In estimating the fair value of a financial asset under Level 3, the Group engages external valuers or establishes appropriate valuation techniques internally to perform the valuation which are reviewed by management.

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Reconciliation of Level 3 fair value measurements

	<u>Held for trading investments</u> HK\$'000	Financial assets (liability) designated as at fair value through profit or loss HK\$'000	<u>Available-for-sale investments</u> HK\$'000	<u>Other liabilities</u> HK\$'000	<u>Total</u> HK\$'000
<u>30 June 2016 (unaudited)</u>					
Opening balance	38,384	11,128,670	8,466,817	(775,100)	18,858,771
Total losses					
- in profit or loss	(3,057)	(27,836)	-	-	(30,893)
- in other comprehensive income	-	-	(13,339)	-	(13,339)
Purchase	-	1,383,206	117,814	-	1,501,020
Net gains during the period	-	-	-	(66,038)	(66,038)
Contribution from second-tier limited partners of consolidated investment fund during the period	-	-	-	(61,760)	(61,760)
Closing	<u>35,327</u>	<u>12,484,040</u>	<u>8,571,292</u>	<u>(902,898)</u>	<u>20,187,761</u>
	<u>Held for trading investments</u> HK\$'000	Financial assets (liability) designated as at fair value through profit or loss HK\$'000	<u>Available-for-sale investments</u> HK\$'000	<u>Other liabilities</u> HK\$'000	<u>Total</u> HK\$'000
<u>31 December 2015 (audited)</u>					
Opening balance	-	2,238,080	-	-	2,238,080
Total gains (losses)					
- in profit or loss	(371)	1,543,077	-	-	1,542,706
- in other comprehensive income	-	-	53,318	-	53,318
Purchase	38,755	7,347,513	8,413,499	-	15,799,767
Contribution from non-controlling interests of consolidated investment funds	-	-	-	(775,100)	(775,100)
Closing	<u>38,384</u>	<u>11,128,670</u>	<u>8,466,817</u>	<u>(775,100)</u>	<u>18,858,771</u>

27. MAJOR NON-CASH TRANSACTIONS

During the period, the loan from ultimate holding company principal amounting to RMB1,090,000,000 (equivalent to HK\$1,275,346,000) is being transferred by the ultimate holding company to an independent third party. The balance is included in other borrowings as at 30 June 2016 in note 20.

An amount due from an associate amounting to USD77,410,000 (equivalent to HK\$600,606,000) being the deposit with the associate for the Group's acquisition of further shareholding of the associate as at 31 December 2015 was transferred to the investment in associate upon the completion of the acquisition of the increased shareholding during the period.

28. CONTINGENT LIABILITIES

Regarding the alleged claims against Huarong International Securities Limited (formerly known as United Simsen Securities Limited) ("HISL"), an indirectly wholly owned subsidiary of HIFL, that was previously disclosed in the audited financial statements of the Group for the year ended 31 December 2015, the plaintiff did not take any further action since August 2013 and there was no substantial progress as at 30 June 2016. HIFL has sought legal advice on the alleged claims and the directors consider that HISL has a very good defence and has a strong case to pursue its counterclaim against the plaintiff. The directors consider that it is not probable that there will be any significant financial impact to the Group arising from these alleged claims.

Save as disclosed above, the Group had no other material contingent liabilities at 30 June 2016.

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